

NEWS SUMMARY

GENERAL

Queen Juliana to abdicate

Queen Juliana of the Netherlands is to step down from the throne to be succeeded by her eldest daughter Beatrix, 42. The Queen, 70, made her announcement in a special radio and television broadcast.

The announcement was widely expected on her 70th birthday in April, despite a statement from Premier Andries van Agt that she would not step down.

Since the Lockheed pay-off scandal in 1975, which involved her husband Prince Bernhard, abdication rumours had been rife. But at that time there was considerable pressure from the Socialist Government and the Dutch people for her to remain on the throne.

Phone tap pledge

The Prime Minister and Home Secretary William Whitelaw gave assurances in the Commons that no unauthorised telephone tapping was being carried out by security services or the police following allegations of illegal surveillance in the New Statesman magazine. *Back Page: Parliament, Page 12*

Nkomo backing

Former Rhodesian Premier Ian Smith publicly supported Patriotic Front leader Joshua Nkomo and turned against his rival Robert Mugabe in a move aimed at paving the way to a moderate coalition government. *Back Page*

Military aid

French military aircraft and helicopters were sent to Tunisia to help the army restore control over the town of Gafsa after last weekend's siege in which 41 people died. *Page 2*

Heart transplant

Britain's second heart transplant this week was carried out on Ronald Marney, 50, a Yorkshire engineer. He was said to be well after the operation at Harefield Hospital, Hillingdon, West London.

Killer weds

Convicted killer James Boyle, 35, was allowed briefly out of Barlinnie Prison, Glasgow, where he is serving a minimum 15-year sentence, to marry a psychiatrist. Dr. Sarah Trevelyan, daughter of former film censor John Trevelyan.

Oil tanker probe

Police are investigating UK aspects of the sinking of the oil tanker Salem off the West African coast and the disappearance of its crew valued at \$56.3m (£24.9m). *Page 7*

Jury row reply

Controversy over Judge Alan King-Hamilton's criticism of the jury at the recent Old Bailey anarchist trial should be allowed to "die down", Lord Chancellor Lord Hailsham told four jurors who protested.

Chocs away

Manchester police are searching for a van-load of more than 9,000 Easter eggs, value £3,100, stolen from a warehouse.

Briefly...

Two bombs exploded in a Belfast furniture store. No one was hurt.

Channel ferry set crossing record from Dover to Calais of 53 minutes 49 seconds.

Ronald Knight, 43, husband of actress Barbara Windsor, was granted £200,000 bail on murder and arson charges.

Five men died and 21 were missing after two ships sank off Japan in a blizzard.

Long-range weather forecast for February predicts very cold spells and widespread snow. *Forecast, Back Page*

BUSINESS

Gold off \$40; Equities slip 4.3

● GOLD fell \$40 in London in quiet trading to close at \$650, wiping out yesterday's gains.



South African GOLD shares followed the fall in the bullion price and the Gold Mines index closed 20.6 down at 329.9.

● STERLING remained firm, closing at \$2.2670, a rise of 50 points. Its trade weighted index was 71.8 (71.7). DOLLAR improved to close at DM1.7440 (DM1.7370). Its index was 85.1 (85.0).

● EQUITIES fell back after early gains, the FT 30-share index closing 4.3 down at 453.2. GILTS fell as shorts came under pressure from a credit shortage. The Government Securities index closed 0.42 down at 67.27.

● WALL STREET was up 1.20 at \$83.11 just before the close.

● PRESENT Government policy has little chance of reducing inflation or promoting growth in the next five years, the Economist Intelligence Unit says. *Page 8*

● CUSTOMS and Excise staff shortages may lead to a reduction in some operations, according to the department's annual report. *Page 8*

● AGRICULTURE Minister Peter Walker announced plans to cut £34m from the annual cost of capital grants to farmers by 1983-84. *Page 29*

● BP is reported to be planning to build a methanol plant in Hull with a production capacity of up to 750,000 tonnes. *Page 7*

● OIL PRICE rises planned by Algeria and Indonesia may prompt a new wave of increases by other producing countries. *Page 6*

● JAPANESE machine tool manufacturer, Yamazaki, is to set up a sales company in Worcester, which could later become its European manufacturing base. *Page 6*

COMPANIES

● BMW, the West German car manufacturer, reports export sales for 1979 up by 11 per cent to DM3.15bn (£801m) and domestic sales up by 9.3 per cent to DM3.4bn (£865m). *Page 25*

● KLM, the royal Dutch airline, reports third-quarter net losses of £1.1m (£2.74m) from £1.9m (£2.26m). Alitalia, Italy's national airline, will report a loss for 1979 compared with profits the previous two years. *Page 25*

● QUAKER OATS, the breakfast food producer, increased second-half profits by 15 per cent to \$20.7m (£9.15m). *Page 24*

● PAINTMAKING group, Blundell-Permonglaze, reports an increase in pre-tax profits to October from £1.78m to £2.19m. *Page 20*

● FIRST-HALF loss of Reardon Smith, the shipping line, was cut from £1.77m to £1.01m. *Page 20*

Anti-dumping suits by U.S. steelmakers 'ready next week'

BY IAN HARGREAVES IN WASHINGTON

U.S. steelmakers will be ready next week to go ahead with anti-dumping suits against seven European countries. But they will hold back if the U.S. government agrees to major fiscal and trade measures to improve sagging profits.

News that documentation is almost complete for what would be the highest assault on alleged steel dumping from Europe and Japan came in a major report by the industry on its outlook for the 1980s.

The paper, published by the American Iron and Steel Institute, says the industry needs Government help to stimulate its profitability in order to launch a \$70bn (£31bn) capital investment programme in the next 10 years.

If the Government refuses to help by blocking steel the industry claims is dumped and improving the industry's tax position, U.S. steelmakers forecast the loss of 90,000 jobs in the decade as the U.S. market succumbs to an "invasion" by foreign steel, which the report says, could take up to 40 per cent of sales in the U.S. by 1988.

The anti-dumping suits are known to have been in preparation for some time by U.S. Steel, the industry's largest company, which earlier this week reported the largest quarterly loss in U.S. corporate history — \$561.7m.

Mr. David Roderick, chairman of U.S. Steel, said yesterday that anti-dumping suits against the UK, West Germany, France, Italy, Belgium, Luxembourg and the Netherlands, would be ready for submission to the U.S. department of commerce next week. Suits against Japan would be completed within 60 days.

The heads of other steel companies, notably Bethlehem and Inland Steel, revealed that they, too, were close to completing preparations for suits. Inland Steel says it will simply revive suits which lapsed under Administration pressure in 1977.

Although Mr. Roderick said the industry had not given the Administration any deadline by which it must respond to the report's proposals, he and his colleagues are clearly attempting to influence the negotiating position of the U.S. Government when its special trade representative, Mr. Robert Aske, travels to Europe for talks with the European Commission on February 18.

It is difficult to see how the Administration can respond quickly to what is a very complex series of proposals. The industry's demands on trade protection centre on strengthening the trigger-price

mechanism — which the U.S. government uses to set minimum prices on foreign steel — by making new rules to control European imports.

The fiscal measures proposed are embodied in a Bill already in draft form which seeks radically to shorten depreciation allowance periods for the whole of U.S. industry in order to reduce corporate taxes and stimulate capital investment. The Administration has so far dismissed the plan as too costly.

In addition, the steelmakers want relief from some Federal anti-pollution regulations and help with devising a coal-based approach to future energy needs.

The industry also wants the government to abandon interference in its pricing decisions.

Only with this assistance, the report says, can the industry more than double its capital spending to \$7bn a year — a level it says is necessary for the U.S. to recover its competitive position in the world steel industry.

There is great concern at the speed with which steel companies are diversifying into more rewarding sectors, a trend which the report says will leave the U.S. short of steel capacity in the 1980s and vulnerable to prices dictated by foreigners.

Unions meet BSC about pay talks

BY ALAN PIKE, LABOUR CORRESPONDENT

LEADERS OF the two main unions involved in the month-long national steel strike met British Steel Corporation representatives last night to see whether they could establish enough common ground to resume pay negotiations. The new talks come as Metal Box said that the steel strike would force it to lay off about 1,000 workers from Monday.

The exploratory talks between BSC, the Iron and Steel Trades Confederation and the National Union of Blast-

furnaces, QC, for the ISTC, to argue for the right to challenge the decision in the Court of Appeal by Lord Denning, Master of the Rolls, and two other judges against involving men working for private companies in the strike.

The Court of Appeal refused the union leave to take the case to the Lords. The 16 private steel companies which initiated the action did not challenge the appeal application yesterday.

Private-sector steelworkers joined the strike on Sunday, but must have returned to work after an ISTC executive instruction to comply with the Appeal Court decision. Mr. Sirs said that the decision by the Law Lords would be vital "not only for us but for the whole trade union movement".

The Metal Box lay-offs, some of the first outside the steel industry because of the strike, are to be at the company's Neath, West Glamorgan, factory.

The company says that it has received no timetable, since before Christmas, and that picketing has caused further difficulties.

Metal Box supplies 70 per cent of cans used in the British food market, but the Food Manufacturers' Association says there are enough supplies to maintain present levels of tinned food stocks for about a month.

The Transport and General Workers' Union declared official a strike by 750 members at British Steel Corporation (Chemicals) in Yorkshire, who negotiate separately but have, says the union, been made the same pay offer as the steelworkers.

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Metal Box to lay off workers, Page 11.

TUC warns Ministers, Back Page.

furnacemen were taking place on undisclosed neutral ground.

BSC has already agreed the basis of its proposed productivity schemes with craft unions. The ISTC and Blast-furnacemen agreed to meet the corporation after the intervention of Mr. Len Murray, TUC general secretary.

Mr. Bill Sirs, ISTC general secretary, has stressed repeatedly that there has to be sufficient money on the table before he recalls his union's negotiating committee for formal talks with BSC.

Yesterday's development came after the House of Lords appeal committee granted the ISTC leave to appeal against last week's Court of Appeal decision that the union could not draw members working for private steel companies into the strike.

The appeal will be heard this morning, though the Law Lords do not usually sit on Fridays. The appeal committee did not require Mr. John Melville

Price rise for large rough diamonds

By Kenneth Murton, Mining Editor

PRICES of large rough diamonds are to rise sharply from February 15. In some cases the increases could amount to 40 per cent.

The rises will apply to stones weighing more than one carat — roughly 5 per cent of the market by volume, but many times more in terms of value — marketed by the Central Selling Organisation on behalf of De Beers and other producers.

The organisation's sales are about 85 per cent of world production. The increases are equivalent to an average 12



per cent rise for all rough diamonds.

Prices were last raised in September, by an average 13 per cent, and in August 1978 by 30 per cent.

Most retail prices for polished jewellery should not be affected by the latest increases. There is already a surplus of small diamonds of the sort used predominantly in jewellery.

Prices for small gems have eased over the past six months. The jewellery trade is more concerned at the rising price of gold.

The increases for large stones will vary according to their quality and size.

Some of the largest rough diamonds could rise in price by anything up to 40 per cent. Demand remains good for the larger stones of good quality and colour, which tend to be bought as a store of value in much the same way as bullion has been sought as Continued on Back Page Mining News, Page 22

Edwardes warns unions on eve of ballot

BY JOHN GRIFFITHS

SIR MICHAEL EDWARDES, chairman and chief executive of BL, last night issued a strong warning that rejection of the company's pay and conditions offer would mean the end of BL in its present form and "a further massive loss of jobs". He was speaking on the eve of the distribution of ballot papers to 90,000 manual workers.

BL has offered a 5 per cent pay increase with the opportunity to earn up to £15 a week more under a self-financing productivity scheme. But the 92-page document setting out its terms also requires further major changes in work practices. These would end the power of shop stewards to control the pace of work and manning levels. The unions have issued pamphlets to all BL's workers urging rejection of the package, which is conditional

upon being accepted in full.

Sir Michael, speaking in a recorded BBC television interview due to go out last night, acknowledged that BL was "asking a lot". But he warned, "there is no more cash. This isn't a question of saying 'we'll make more profit if we keep back money'."

"The fact is we're not operating at a profit. We're marginal as a company and we cannot deliver our plan if we give away more in wages than is earned."

The ballot boiled down to the unions to "abandon years of shop floor control." However it was essential to have greater flexibility and to be able to measure efficiency to bring productivity close to Japanese and West German standards.

The result of the ballot, being conducted by the Electoral Reform Society, is expected to be announced on February 12. Sir Michael said the company would consider the unions had received a mandate for action only if 51 per cent or more of the total work force backed the

structure would be reviewed, and inevitably there would be heavy additional job losses above the 25,000 already being cut, with major cuts in capital spending.

Sir Michael acknowledged that it would not be easy for the unions to "abandon years of shop floor control." However it was essential to have greater flexibility and to be able to measure efficiency to bring productivity close to Japanese and West German standards.

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Continued on Back Page Editorial Comment, Page 18

Soviet warning to Zia

BY OUR FOREIGN STAFF

THE SOVIET UNION yesterday issued a veiled warning to Pakistan that it will be in danger unless it forbade the use of its territory by "tens of thousands of mercenaries" in an undeclared war against Afghanistan.

The warning in Pravda, the Communist Party newspaper, coincided with the start of a visit to Pakistan by Mr. Zbigniew Brzezinski, President Carter's National Security Adviser.

Mr. Brzezinski is expected to tell General Zia ul-Haq, Pakistan's military ruler, that the U.S. shares Pakistan's concern about the possibility of Soviet

aggression but is reluctant to increase further its aid offer or security commitment to the country.

In New Delhi, Mr. Clark Clifford, President Carter's special envoy, emerged from a meeting with Mrs. Indira Gandhi, the Indian Prime Minister, saying that a Soviet push towards the Gulf from Afghanistan would trigger a war with the U.S.

In Brussels, Mr. Roy Jenkins, President of the European Commission, said that the Soviet Union should not be allowed to drive a wedge between the Community and the U.S. over the Afghanistan invasion.

Vaux to sell Scottish outlets

BY JOHN MAKINSON

VAUX, the Sunderland-based brewer, is selling its Scottish tied estate to Ind Coope, the Allied is paying £20.9m for 214 public houses, a hotel and a restaurant.

Payment has been made through the issue of 29.65m Allied shares, which were placed with institutions by Cazenove yesterday at 71.4p. The Allied share price dropped 21p to 73p over the day, while Vaux finished 14p higher at 150p.

Vaux's Scottish subsidiary, Lorimer's, has been losing market share continuously, and profits before interest dropped from £1.7m in 1976-77 to £1.2m in the year to last September.

The group therefore decided to close its brewery but first approached Ind Coope to see if a deal could be struck.

The Lorimer's brewery, at St. Leonards, Edinburgh, is to be closed anyway with the loss of about 200 jobs. Mr. Paul Nicholson, chairman of Vaux, said that up to 370 jobs might have been lost if his group had carried out rationalisation.

The proceeds of the sale would enable a "thank you" payment to staff, in addition to normal compensation.

Allied will serve the new outlets in part from its Alloa brewery, which has considerable spare capacity. Until now, the group has had only 40 pubs

in Scotland and has relied on the free trade to compete with the major brewers in the country, Bass, Charrington and Scottish and Newcastle.

The book value of Lorimer's is £31.1m and the price may be adjusted to accommodate any changes in the net asset value up to completion. The sale will go through if the office of Fair Trading does not refer the deal to the Monopolies Commission.

Vaux said it will reinvest the sale proceeds in its North of England activities and will soon repay short term borrowings and strengthen liquidity.

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Flying Concorde is something. Flying Air France Concorde is something else.



CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		FALLS	
Allied Textile	98 + 9	Excheq. 12½ 2003	06 A 125 pd. £231 - 1
Bank Leumi (UK)	120 + 10	Allied Breweries	734 - 21
Brenner	55 + 4	Assoc. Engineering	741 - 41
Chemring	128 + 6	Bass	200 - 6
Christies (Int'l)	376 + 9	Beecham	123 - 7
Edwards (Louis C.)	574 + 61	Dowty	154 - 9
Hill & Smith	501 + 61	Glaxo	477 - 13
Ladbroke	162 + 9	Grattan Warehouses	100 - 8
Societeys	487 + 17	Haslemere Estates	284 - 6
Unitech	245 + 5	Sainsbury (J.)	287 - 6
Vaux	150 + 14	Stock Conversion	368 - 8
W. Ribbons	30 + 6	Tate & Lyle	123 - 7
Indu Rubber	93 + 13	United Biscuits	83 - 4
Lombia Rubber	80 + 16	United Scientific	428 - 7
Leard Russel	340 + 21	CCP North Sea	308 - 11
Shon Mining	156 + 9	Elshur	256 - 23
ozine Riotinto	308 + 20	Hartbeest	226 - 14
to-Walised	480 + 20	Impula Platinum	282 - 8
nt Piran	66 + 7	Rustenburg	271 - 13
FALLS		Western Deep	517 - 14

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EUROPEAN NEWS

Bonn confident of meeting oil import target

BY OUR BONN STAFF

WEST GERMANY believes that it can keep within the oil import limit to which it has committed itself for 1980 without taking further energy-saving measures. That emerges from a policy paper prepared by the Economics Ministry and put before the Cabinet on Wednesday.

In 1979 West Germany, in common with most other members of the International Energy Agency, failed to meet the jointly agreed target of a 5 per cent cut in oil consumption for the year.

In December the IEA member states made a more detailed commitment for the year 1980-1985, agreeing not to surpass precise oil import levels for crude oil and oil products together.

The West German target for this year was set at 145m tonnes compared with the actual import level of 145m tonnes of 1979. The Economics Ministry estimates that the slackening of domestic growth this year, combined with an oil import and production figure last year which exceeded consumption, will probably allow this target to be met.

The forecast does not rule out the possibility that new savings measures will be introduced to try to cut oil imports still further. But the policy paper shows satisfaction at the impact of savings so far compared with other countries.

Swiss face big rise in defence spending

By Björn Khindaria in Geneva

SWITZERLAND runs the risk of being transformed into a battleground in a future war and should greatly increase its spending on defence during the 1980s, the Government has told Parliament.

BY DAVID WHITE IN PARIS

FRENCH MILITARY transport and helicopters were reported yesterday to have been sent to Tunisia to help the Tunisian Army restore control over the provincial town of Gafsa after last weekend's abortive strike.

The rapid despatch of the warships—a missile-carrying cruiser, anti-submarine frigate, and high-speed escort vessel—was evidently aimed at demonstrating France's capacity to intervene at short notice.

The ships were originally reported to be heading for the Gulf of Gabes, the closest coastline to Gafsa, and an area where Tunisia and Libya dispute oil exploration rights. French submarines which also left Toulon on Monday were said not to be part of the manoeuvre.

France has no specific defence obligation to Tunisia, but has various co-operation agreements covering training and arms supplies. Relations within the former protectorate have been good since France resumed financial aid in 1968.

The transport aircraft were sent at Tunisia's request, in the same way that Transalls were sent to ship Moroccan troops and arms to Zaire in April 1977 to quell the first Shaba rebellion. In the second rebellion, last year, France intervened directly.

In Gafsa, Tunisian forces continued their mop-up operations. The fighting, in which the official death toll is 41, has brought to a head a series of incidents between Tunis and Tripoli, after Tunisia's President Habib Bourguiba refused to go through with plans for uniting the two countries, made at Djerba in 1974.

The Libyan Government expressed its "astonishment" over the charges made by M. Nouira. It "greatly deplored" the abrupt diplomatic rupture, which stops just short of a complete break in relations.

Three French warships, which sailed in haste from Toulon earlier this week, were staying clear of Tunisian waters and were officially said to be cruising off Crete.

The report brings up to date a similar document published in 1973 and will be followed by a more detailed study in 1985, when the Government plans to make proposals to Parliament to revamp Switzerland's defences.

Switzerland has only a small army and relies mainly on a compulsory draft for all able-bodied citizens.

The country has a large network of underground air-raid shelters, including command and supply centres as well as hospitals, designed to withstand nuclear weapons. Construction was begun in 1974 and enough shelters will be available for the population of 6m by the end of the 1980s.

Official reserves double

BY ROBERT MAUTHNER IN PARIS

FRANCE'S OFFICIAL gold and foreign currency reserves have risen by more than 100 per cent over the past two years, mainly because of the sharp rise in the price of gold.

The country's total reserves stood at FF 217bn (£23.7bn) on January 25, against FF 106bn at the beginning of 1978, and are now the third biggest in the world, after those of West Germany and the U.S.

The Bank of France's present gold stock totals 3,200 tonnes, valued at FF 169bn. Since 1973, the gold reserves have been subject to a new valuation every six months, based on the average price in dollars of an ounce of gold on the London market during the previous three months.

The paper sees the new technology offering opportunities for reducing both overtime and days worked. But it says the technology will create the need for improving job satisfaction, and for measures to avoid worker alienation stemming from more impersonal production processes.

Call for new-technology agreements within EEC

BY JOHN WYLES IN BRUSSELS

MANAGEMENT and unions in the EEC are urged to negotiate collective agreements covering the introduction of new computerised technology, in a document summarising the European Commission's latest thinking on the impact of micro-electronics.

Produced for member governments and the Community's Employment Committee, the document is optimistic about the probable social impact of the new technology.

The Commission does not believe that computerisation will necessarily lead to a net loss of jobs.

Community wide responses to problems created by new technology will need to be developed, and these will have to create the smoothest possible conditions for innovation, including closer dialogue between management and workers in individual companies.

Taking a new look at monetary policy

BY JONATHAN CARR IN BONN

WEST GERMANY'S emergence as a current account deficit country is forcing a reassessment by some of its senior monetary authorities of policy priorities at home and abroad. The long-standing West German fear of a growing role for the Deutsche Mark as a reserve asset is gradually giving way to concern about how the strength of the currency can be maintained.

It is agreed that the current account performance is not the only factor determining the level of the Deutsche Mark. The domestic inflation rate is important too. And here the performance still remains relatively good, though far from satisfactory to the West Germans themselves. But large deficits, it is argued, tend at least to slow the appreciation of a currency and lay a country more open to imported inflation than it otherwise would be.

The increased import bill itself helps contribute to a continued deficit, bringing a vicious circle which is precisely the opposite of the situation to which the West Germans have been used for years.

This has been very much the story of the West German current account deficit in 1979—the first since 1965 and only the fourth in the country's history. The deficit of DM 9bn (£2.3bn) (which, to maintain perspective, is less than 1 per cent of GNP) is due not to a West German export failure but largely to a surge in imports. This has been caused, in particular, by the big increases in the price of oil and other raw materials.

West German exports in real volume terms rose by 7 per cent last year and imports by 9 per cent, but in value terms exports rose by 10 per cent and imports by no less than 20 per cent. The upshot was a visible trade surplus of only DM 22.5bn (£5.7bn) which, in contrast to previous years, could not make up for the country's traditional deficit on invisibles.

Indeed, this deficit on services and transfers—caused among other things by West Germans holidaying abroad and by payments home by foreign workers here—increased, thus pushing the current account further into the red.

Had the Deutsche Mark been appreciating powerfully as it did in past years, then much of the increase in import prices could have been offset. True, there was temporary upward pressure on the Deutsche Mark within the European monetary system resolved by a 2 per cent D-mark revaluation within the system resolved by a 2 per cent much of the year there was a tendency for the currency to depreciate against those of West

Germany's major trading partners in real terms—that is, after allowing for inflation rate differentials.

The sharp rise in the price of imports naturally worked through to the cost of living, pushing up the average inflation rate for 1979 to 4.1 per cent, compared with 2.6 per cent in 1978. At present the monthly figures, compared with the same month a year earlier, show a rise of more than 5 per cent and it is against this background

bill this year is expected to be about DM 65bn—roughly 4 per cent of GNP—and the current account may well be heading for a deficit of close to DM 20bn.

In these circumstances, it is felt, the policy must be actively to seek to keep the currency strong. In a world of high interest rates, too, must remain high to help attract foreign capital.

There are wider implications too. For some years, West German authorities have watched with growing concern the rise of the Deutsche Mark as a reserve asset, arguing that the country was ill suited to assume such a role and that control of domestic money supply was made more difficult.

On the one hand, this meant pressure on the U.S. to balance its payments, cut inflation and thus help achieve a stable dollar, the world's key reserve currency. On the other, it meant active support for the search for a new international reserve asset which could absorb some of the world's surplus dollars and relieve

some of the growing pressure on the Deutsche Mark.

One of the best prospects seemed to lie in a new asset denominated in Special Drawing Rights to be issued through a so-called "substitution account" of the International Monetary Fund (IMF).

Spanish trains hit by strike

MADRID — Train services throughout Spain were paralysed by a 24-hour national rail strike yesterday called to press demands for better pay and working conditions, RENFE, the state-owned railway company, said.

Unions called the stoppage after rejecting a 10.8 per cent pay increase. They have demanded 16 per cent. Twelve international services were among those cancelled.

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Teargas halts Breton N-protest

BY TERRY DODSWORTH IN PARIS

RIOT POLICE used tear gas yesterday to break up a demonstration against a planned nuclear power station at Plogoff on the Brittany coast, near Finistère.

The demonstration was the culmination of five years' local antagonism to the power station which will be sited close to one of France's beauty spots. The opposition has attracted the support of several councillors.

By M. Jean-Marie Kerloch, Plogoff's mayor.

According to M. Kerloch 500 riot police were sent to the area to ensure that a public inquiry could take place. When proceedings started yesterday the police were opposed by demonstrators who erected a barrier of burning car tyres in the middle of the village.



IF YOU NEED
A LEG UP
SET YOUR SIGHTS
ON WREXHAM

The outlook's great at Wrexham — there's equal opportunity for everyone when it comes to building up a successful business enterprise.

There are plenty of incentives that make Wrexham particularly attractive to small firms with big plans: excellent industrial relations record; rent free periods in advance factories; easy access to major markets; special Development Area and EEC financial incentives.

Development Agency assistance. Firms with big plans include: K.N. Kellogg's, Metal Box Company, Continental, R.F. Jaeger, Lego U.K. Ltd., G-Plan, TETRA-PAK and they're investing 100,000,000 in the Borough! Want to broaden your horizons, start by turning eyes over our colour brochure. Get your copy now!

Maelor Borough Council

Executive Officer, The Guildhall, Y. Clwyd, North Wales, U.K. or Mr. D. W. Jones or Wrexham (0978) 4611. Lists of industrial incentives at Wrexham.

Replacement for Austria N-plant given go-ahead

By Peter Lendvai in Vienna

THE GO-AHEAD has been given for a coal-fired power station costing Sch 7.2bn (£255m) at Duerndorfer in Lower Austria, only three miles from the Zwentendorf nuclear station whose commissioning was blocked at a referendum 18 months ago.

A decision will be taken at the beginning of March whether the 2300m nuclear plant should be scrapped or preserved for possible future use. Estimates for converting it into a conventional plant vary widely between Sch 2bn and Sch 5bn.

The Doernrohr project will consist of two plants. The first, with a capacity of 380 MW, will go on stream in the autumn of 1984 and the second, with a 320 MW capacity, will be completed 10 months later.

The power station will burn coal from Poland which is to supply 1m tonnes a year. In return Austria will grant Poland a \$300m (£133m) credit line. Austrian Federal Railways will also receive a Sch 500m loan to finance the purchase of large freight wagons to transport the coal from Poland.

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ZIMBABWE-RHODESIA

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Work stoppage at Polish Baltic port of Gdansk

By Christopher Bobinski in Warsaw

AROUND 100 employees at the Gdansk shipyard, on Poland's Baltic coast, stopped work yesterday in solidarity with Ms. Anna Walentynowicz, a crane driver and a member of the Gdansk Free Trade Union, whom the authorities are trying to transfer to another factory outside the city.

According to members of the "KOR" human rights group the four-hour stoppage came in the pre-fabrication workshop and ended when the foremen promised that Ms. Walentynowicz would be reinstated.

The men in the department have pledged to continue the strike from this morning, if Ms. Walentynowicz, who has worked for the yard for 20 years, is not re-employed.

The stoppage comes after

workers at the Elektromontaz plant in Gdansk met on Wednesday to demand the withdrawal by the management of dismissal notices for 25 men at the works.

Last week, a five-man "workers' commission" backed by about 170 men at the 500-strong plant was set up to fight the dismissals which are aimed at those who took part in a street meeting last December.

In December, about 4,000 people, many of them workers, gathered at the Number Two gate at the Gdansk shipyard to commemorate those who died in demonstrations against food price rises in 1970. The ceremony was organised by, among others, the small Gdansk Free Trade Union which was set up in April 1978, and the sackings are evidently aimed at weeding out the union sympathisers.

A member of the Elektromontaz Workers' Commission, Mr. Lech Walesa, who himself once worked at the shipyard and was one of the organisers of the 1970 strike there, was told that the Elektromontaz management are planning to dismiss over 100 men.

The Elektromontaz workers are also demanding that any future dismissals should be discussed with a shop floor committee elected for the purpose and that those dismissed should be found work elsewhere in the same pay and privileges.

Another demand is that wages should be increased quarterly to match the rise in the cost of living. The "KOR" group has appealed to trade unions around the world to intervene on behalf of those sacked.

COMMUNISTS SEE GOVERNMENT ROLE RECEDE

Afghan issue stirs Italy's political cauldron

By Rupert Cornwell in Rome

"YOU KNOW why the Russians invaded Afghanistan? They wanted to stop us doing a deal to allow the Communists into government." That remark by a Christian Democrat politician was, of course, a joke and intended as such. But it does illustrate some basic truths about Italy and its role in the world, which have only been underlined by the latest crisis in East-West relations and the virtual collapse of détente.

One is that, as a rule, Italy does not influence international affairs but is influenced by them; in other words a "low profile" so low that many international affairs experts would wonder whether the country had an active foreign policy at all. Another is that the most far-reaching consequences of upheavals abroad are often to be seen less in the specific field of foreign policy than in internal politics.

Whatever the strategic implications of Afghanistan, there are two overriding concerns in a country whose politicians' eyes are turned resolutely inwards. What effect will Moscow's recent behaviour have on the Italian Communist Party, in the vanguard of what remains of "Eurocommunism"? And will international events prove a death blow for the belief that the party might be on the verge of implementing the "historic compromise" of entry into government alongside the Christian Democrats?

If the first question obviously cannot be fully answered yet, the reply to the second, very probably, is yes. This means that the immediate prospects for the fragile minority government of Sir Francesco Cossiga look brighter.

True, the Socialists whose grudging parliamentary support is essential for its survival, have indicated that they will press for a government in which the Communists are included. However, the Christian Democrat congress is due on February 15, and the long-ruling party is most unlikely to go further than emphasising the need to work with the Communists, without offering them ministerial posts. Longest all-party discussions will thus ensue, and few politicians want to bring down Sir Cossiga without agreement on what should replace him.

Italy's peculiar situation—a key component of the southern flank of NATO's largest and most influential Communist party, has ensured that the country has become a sounding board of detente. A return to a virtual Cold War has enhanced the importance of Italy's place in the alliance, while sharpening doubts about the sincerity of its Communists.

As far as other links between Italy and the Eastern bloc are concerned, Rome has been trying to move in step with its other partners (except Britain) in the EEC, of which it is president for the first six months of this year. On the Olympic issue—the present touchstone of East-West relations—the Italian Government has carefully avoided making recommendations and has passed the question of participation in the Moscow Games to a meeting of the Community's various national Olympic associations.

It is open to doubt whether Italy, for all its good intentions, could play a particularly significant role as midwife to a joint



Sir Cossiga: trying not to take sides

Sir Cossiga was in Washington swiftly, proclaiming that a close and enduring friendship with the U.S. was a cornerstone of Italian foreign policy. It could hardly be otherwise. The U.S. Sixth Fleet is based at Naples, the home of NATO's southern military command, while U.S. land and air forces are in the north, not far from the border with Yugoslavia, itself doubly uncertain, given President Tito's frail health.

Even before the Afghanistan invasion, Italy had agreed to the siting of 108 Cruise missiles on its territory, a decision insisted upon by Sir Cossiga at considerable political risk to his administration. Since the invasion, it has noticeably cooled economic ties with Moscow, despite the importance of the Soviet Union as a trading partner and as a supplier of almost 6 per cent of the country's crude oil requirements last year.

The most visible move has been to stall negotiations on a planned \$1bn export credit agreement to finance Italian sales to the Soviet Union. Other steps, too, are under consideration, though with a caution stemming from an understandable concern about jeopardising trading exchanges which totalled £4,500bn (£2,476bn) in 1978.

EEC response to the Soviet Union. Apart from the weakness and uncertain life expectancy of any Italian Government, no one in Rome is under any illusion about the preponderant role of France and West Germany in EEC affairs today.

Inevitably, silence surrounded the one thing everyone really wanted to know about the Carter-Cossiga meeting: what did the Americans say about Communist participation in Government? Apparently, Washington has not changed its disapproving stand while stressing that it is a purely internal Italian affair.

But it is plain that no U.S. President whose chances of re-election hinge on the popularity of a tough anti-Soviet stance is going to be happy to see Communists, however democratic and friendly they appear, enter the Government of a key NATO ally in the middle of a new Cold War.

Ultimately, however, the matter will be resolved by changes within the Communist party itself—and the Afghanistan episode may prove to have been a turning point. Sir Enrico Berlinguer, the leader, himself described his party's condemnation of the military take-over as its most serious foreign policy divergence with Moscow.

In the European Parliament, moreover, the issue found the Communists at one almost with the West German Social Democrats, of Chancellor Helmut Schmidt. In Italy, at least, the close affinities between the positions of the Communist party and the Atlanticist ruling party of Western Europe's strongest nation has been made much of.

At this delicate juncture, those Italian politicians who argue that only with help from the Communists can the country's deepest economic and social troubles be tackled, insist that nothing must be done to force them back towards Moscow and isolation.

After the ringing denunciations of Soviet behaviour over Afghanistan and the exile of Dr. Sakharov, the leading Soviet dissident, there might appear to be little danger of that. But the Communist party stand has created turmoil among rank and file activists, fearful that it might portend the complete abandonment of what revolutionary commitment still remains in the party.

As Sir Pietro Ingrao, perhaps the Communist leader most respected by the militant, put it recently: "There are comrades who think like this on Afghanistan: the world is split into two camps, and you can't be neutral any longer, you must take sides. However much we don't like it, our place is with the Socialist countries."

But he stresses, it is not a question of taking sides, and Sir Berlinguer has coupled his attack on Moscow with strong criticism of the United States for its reprisals. The watchword for the Communists now is "equidistance" between the two blocs.

This strategy of the Communists, in terms of detente as well as of quelling the doubts of its own followers, may have much to commend it. The trouble is that people are taking sides. And anything less than total fidelity to the U.S. is seen as serving—in practice, but real interests of Moscow.

Big rise in cost of fuel for U.S. forces

By Leslie Collett in Berlin

A STEEP price rise which more than doubles the cost of fuel used by U.S. armed forces around the world goes into effect today. But a U.S. Defence Department official in West Germany says there will be no reduction in either operations or exercises by the U.S. army and air force commands in Europe.

The increases are expected to cost the military one of the U.S. largest consumers of petroleum, hundreds of millions of dollars more in the remaining eight months of the current fiscal year.

Mr. George Marienbal, deputy Assistant Secretary of Defence for Energy who is visiting West Germany, said that if the armed forces were to restrict operations and training it would be "cutting into bone and muscle." There were no plans to reduce "flying hours, sailing days or army training operations."

Aviation fuel, JP4, mostly used by the U.S. air force in Britain will rise in price from \$2 cents to \$2.32 a gallon. JP4, a jet fuel used by the air force in central Europe goes up from 55 cents to \$1.18. Diesel oil for tanks and other heavy vehicles rises from 61 cents to \$1.29.

A spokesman for the U.S. Army's Office of the Chief of Staff, Mr. John J. Hill, said that the price of fuel for the army in Europe would range between \$80m and \$125m in the next eight months.

Major Kevin Sullivan, management officer at Heidelberg, said the sharp fuel price rises were necessary to recover previous losses incurred by the Defence Logistics Agency and to cover current buying costs, as well as anticipated future costs. For months the army has been paying less than the actual cost of the fuel it has been consuming, he said.

The price of so-called Mogas, or petrol for army and air force cars and trucks, was originally set to rise from 59 cents a gallon to \$1.84, but this was readjusted to \$1.26 a gallon.

Ian Hargreaves in Washington on the U.S. steel industry's plight

Success of new strategy hinges on State backing



Mr. Lewis Foy

U.S. STEELMAKERS have long possessed a reputation as one of the noisiest and dissatisfied groups in American industry. Politically one of the better represented business groups in Congress, the industry's case for a better deal from Washington has been voiced with a vehemence which has ebbed and flowed over the years only with profitability and the roller-coaster of the steel market.

Yet in spite of public familiarity with this general sense of grievance, the steelmakers have never—as Mr. Lewis Foy, chairman of both Bethlehem Steel and the American Iron and Steel Institute, said yesterday—“put its act together” and spelled out comprehensively its cases and its demands.

Now he says that has changed. With a 50-page report entitled “Steel at the Crossroads” in his hand, Mr. Foy was able to claim yesterday: “We’ve got our act together—and here’s the script.”

The script’s argument is that the U.S. steel industry needs to expand its raw steel capacity by over 6 per cent in the next decade, and to spend around \$7bn a year to finance expansion and modernisation.

It says the task will be impossible if the U.S. Government fails to come forward quickly with a package of measures. These measures, it adds, must protect American steelmen from unfairly priced imports, especially from Europe, stimulate profitability and thereby capital generation by a series of tax breaks, improve the industry's access to cheaper and more reliable energy sources and increase its freedom from the full weight of Federal environmental protection laws.

If the Government refuses, the report forecasts that within a decade imports will gobble up 40 per cent of the market (against under 18 per cent now), that 100,000 jobs will go and that the U.S. will run up a trade deficit in steel to rival its oil deficit.

The programme of action is as follows:

- Imports: The industry wants

three changes to the Government's trigger price system, which since 1978 has set minimum prices below which it is illegal for foreign steelmakers to sell into the U.S. market. In future, the report says, there should be some kind of two-tier system to put a higher minimum price of European steel imports to reduce higher European production costs (at the moment figures are based on Japanese costs).

The mechanism should also be made to reflect foreign steelmakers' home prices to prevent sale in the U.S. at less than domestic prices. The third change would be to bring special steel, such as stainless and electrical steels, under the umbrella of trigger prices.

The report also strongly urges the Government to pursue with more determination those who violate the rules by prosecuting and fining them. “All that is required is the political will,” it says—reflecting frustration at the Government's failure to take action against European or Japanese steelmakers up to now.

● Fiscal policy: The industry wants help to more than double direct investment in productive steel facilities to \$4.9bn a year. In total, including pollution fighting expenditure, the report says \$7bn a year will be needed in the next decade. It proposes—

Shortening the standard depreciation period for steel equipment from 15 to between three and ten years, according to the type of equipment. This would substantially reduce tax liabilities and bring the U.S. closer to depreciation practices in other major steel countries.

—More flexible and generous investment tax credits.

—Lower basic corporate tax rates.

● Environment: U.S. steel companies have been paying around \$800m a year to meet higher Federal environmental protection laws, many of which the industry feels are needlessly stringent. It wants a more cost-effective approach in framing new rules, and says that existing laws should be reappraised with an emphasis on human health rather than on such blanket provisions as the ruling that all rivers must be capable of supporting fish life. The industry also wants special exemptions from air and water pollution laws for industrial plants with limited life expectancy.

● Energy: Steel uses about 5 per cent of U.S. energy. Modernisation would reduce this significantly, but the industry complains of too much Federal intervention in energy development and production, calls for a new policy to encourage coal development.

● Pricing: The report pleads for

an end to all pricing controls, whether mandatory or (as at present) voluntary. Controls have been irrelevant to the fight against inflation, it says, and have impeded profitability in steel.

If the Government fails to take the industry's advice, the report warns of a gloomy future. Continuation of existing trends, whereby the industry has not built a major new plant for over a decade, would mean lapsing from an appalling 40-year replacement cycle to a disastrous 50-year cycle. Capacity would fall by 20 per cent, imports would jump from less than 20m tons to 50m tons, and 90,000 jobs would be lost—all within the next eight years.

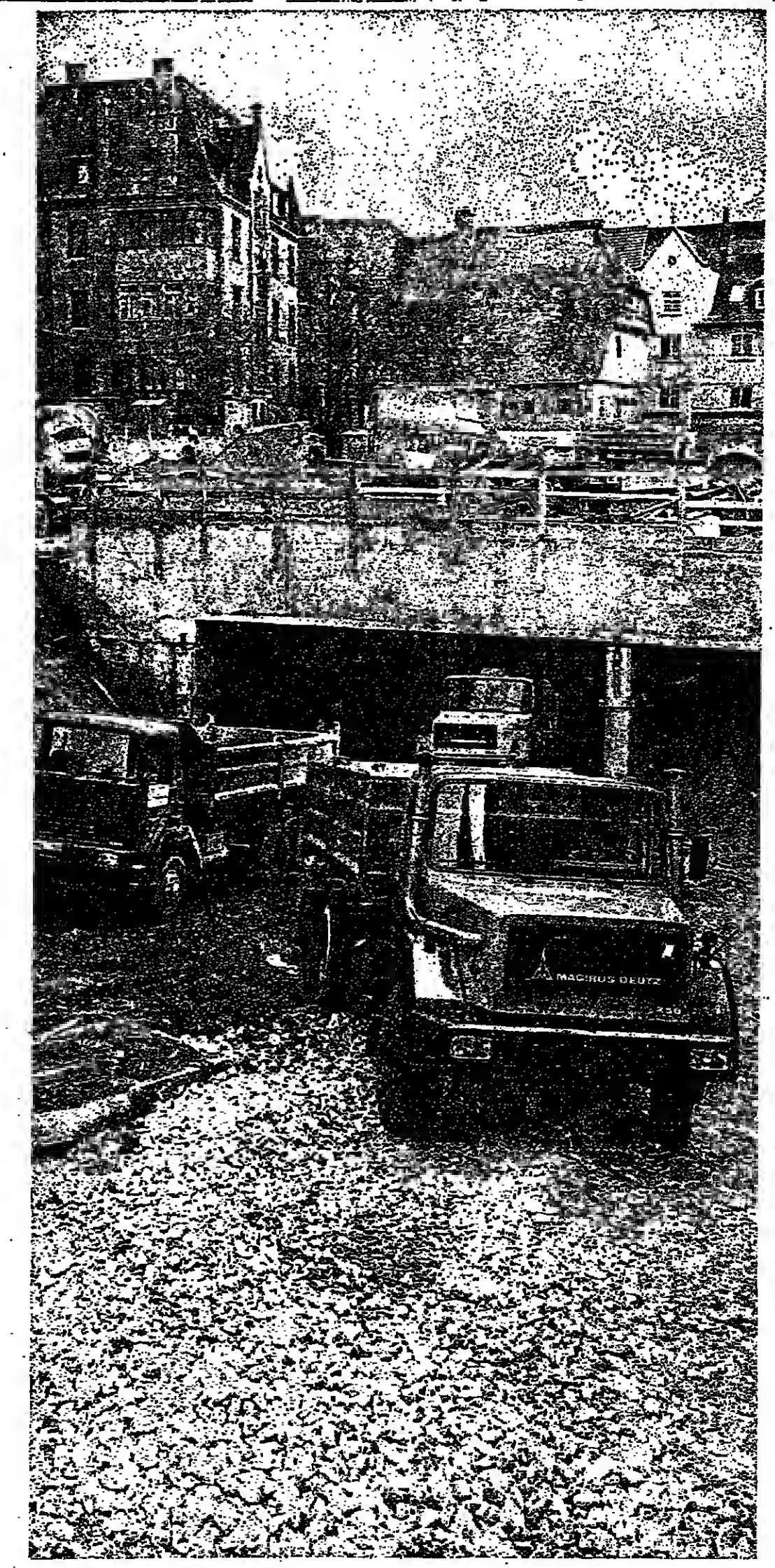
If the Government does deliver the goods, this is what the industry thinks will happen: capital spending of \$7bn a year will be forthcoming; within the decade, the U.S. industry will increase shipments by 19 per cent, with much of the increase coming from more efficient conversion of liquid to semi-finished steel by the installation of more continuous casting machines (which the U.S. currently uses for 15 per cent of steel production compared with 46 per cent in Japan).

In addition there would be some new capacity, obsolete open hearth steelmaking equipment (still representing 15 per cent of U.S. output) would be eliminated and half the industry's coking facilities would be renewed. Labour productivity would rise by 30 per cent, and asset replacement be on a 25-year cycle. Profits would once again be adequate to fund the industry's future.

THE WAY AHEAD

	1978-88, 1978-88, with on government present help trends	1978	1978-88, 1978-88, with on government present help trends
Annual capital spending	\$2bn \$4.9bn	\$2bn	\$2bn
U.S. steel consumption (tons)	117m 134m	117m	134m
U.S. steel shipments (tons)	98m 117m	98m	117m
Imports (tons)	21m 20m	21m	20m
Exports (tons)	2m 3m	2m	3m
Share of market held by imports (per cent)	18 15	18	15
Raw steel capacity of U.S. industry (tons)	158m 168m 130m	158m	168m 130m
Employment in steel industry	449,000 427,000 369,000	449,000	427,000 369,000
U.S. steel trade deficit (at \$400 per ton)	\$7.5bn \$7bn \$20bn	\$7.5bn	\$7bn \$20bn

* Direct investment in steel. All figures in 1978 dollars.



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AMERICAN NEWS

Further Moscow warning to Islamabad

BY DAVID SATTER IN MOSCOW

THE Communist Party newspaper Pravda issued a veiled warning to Pakistan yesterday that it will be in danger if the use of its territory by "tens of thousands of mercenaries" in an undeclared war against Afghanistan did not stop.

In a comment on the trip to Pakistan by Mr. Zbigniew Brzezinski, the U.S. National Security Adviser, Pravda accused the U.S. of trying to pull Pakistan into an aggressive alliance.

"The issue is real aggression against Afghanistan involving tens of thousands of mercenaries using Pakistan and unfolding in the immediate vicinity of the Soviet Union."

The commentary comes the closest to an explicit threat against Pakistan of anything which has so far appeared in the Soviet Press. The newspaper said that the U.S. had shown a taste for "playing

with fire" and taken risks "in the clear hope that it will not be the United States which will have to pay but someone else."

Pravda said Mr. Brzezinski and his aides were going to Pakistan to create a long-term political base for U.S. intervention in the affairs of the region and that their trip had nothing in common with the goals of peace and stability.

Soviet Press reports which indicated that the war in Afghanistan is beginning to take its toll.

Soviet correspondents in Afghanistan reported on Monday that the Afghan army was being forced into a permanent state of alert because saboteurs were killing people and destroying communication lines. Moscow Radio reported yesterday that the Afghan army had captured two Chinese military instructors

working with the rebels, and the Government newspaper Izvestia reported on Tuesday that two "Lawrence of Arabia type" U.S. agents were stirring up Moslem tribesmen against the Government in Kabul.

Meanwhile the Soviet Olympic Committee has called on sporting organisations to resist the "hostile campaign" aimed at bringing about a boycott of the Olympics. The committee, in



Afghanistan

a statement released by the Soviet news agency Tass, warned that the proposed boycott, which it called "a hostile act against mutual understanding," could split the Olympic movement.

India and U.S. fail to agree

NEW DELHI — Mr. Clark Clifford, President Carter's special envoy, said yesterday there would be a war if the Soviet Union were to send troops to the Gulf after its intervention in Afghanistan. Mr. Clifford, a former U.S. Defence Secretary, told a Press conference here: "We have attempted to get a message to the Soviet Union. The message is: they must know that if part of their plan is to move to the Gulf, that means war."

Mr. Clifford said there would also be "great difficulties" if there were any temptation on the part of the Soviet Union to move into Pakistan.

Speaking after an 80-minute meeting with Mrs. Indira Gandhi, the Indian Prime Minister, Mr. Clifford said: "Our main goal is to take steps that will persuade the Soviet Union to get out of Afghanistan." The Soviet Union must also not go into any other country, he said.

Mr. Clifford said yesterday that the U.S. acknowledged that India had special relations with Russia and he hoped that this would be used to persuade the Soviet Union to withdraw from Afghanistan. But he was equally firm in saying that U.S. was keen to send signals to Moscow that aggression would be repelled. A major point of difference between the U.S. and India is President Jimmy Carter's decision to send arms to Pakistan since New Delhi feels that such arms have been misused in the past. Mr. Clifford said the U.S. would end arms of such quantity and quality that would enable Pakistan only to check possible Soviet thrusts from across the border with Afghanistan. They would in no way constitute a threat to India.



Mr. Zbigniew Brzezinski

worded. It commits the U.S. to Pakistan's protection in the event of Communist aggression, but not in the event of another of Pakistan's recurrent disputes with India.

Brzezinski will tread warily in talks with Pakistan leader

BY DAVID BUCHAN IN WASHINGTON

THE U.S. shares Pakistan's concern about possible Soviet aggression or subversion through neighbouring Afghanistan, but is loth to increase its aid or security commitment to Pakistan for fear of upsetting India.

This is the message brought by Mr. Zbigniew Brzezinski, the national security adviser, who is due to arrive in Islamabad today for talks with General Zia ul-Haq, Pakistan's military ruler. Mr. Brzezinski's mission, announced only yesterday, was to announce only yesterday as not to embarrass Pakistan while it was hosting the Islamic Conference earlier this week, is part of a delicate U.S. balancing act in the subcontinent.

Yesterday, Mr. Clark Clifford, President Carter's special envoy, met Mrs. Indira Gandhi in New

Delhi, to tell her that the U.S. believed it was now to be in the interest of regional stability that Pakistan should receive a limited amount of new weapons.

The Carter Administration has offered General Zia a \$400m aid package, split equally between economic and military assistance. The Pakistan President initially called this too little, and India has complained that it is excessive.

Washington has other reasons for not wanting to increase the size of the package. To do so might make it harder to get Congress to waive non-proliferation laws that ban U.S. aid to countries building nuclear weapons, as Pakistan is believed to be doing.

The U.S. also hopes other countries will help Pakistan.

West Germany, a NATO ally, has expressed a willingness to do this, and Mr. Brzezinski is also visiting Saudi Arabia in the hope that the Saudis will step up aid to Pakistan.

President Carter has asked Congress to "specifically reaffirm" the 1959 U.S. security agreement with Pakistan. President Zia has pushed for this to be converted into a formal treaty. But a formal treaty might take long to negotiate and even longer for Congress to ratify, and a simple reaffirmation of the 1959 executive agreement would be much simpler and shorter.

The Administration does not want to unravel the 1959 accord, which is, from the U.S. point of view, very conveniently

Gromyko flies to meet Romania President

BY ANTHONY ROBINSON

MR. ANDREI GROMYKO, the Soviet Foreign Minister, who has just returned from Syria, yesterday flew to Bucharest to meet President Nicolai Ceausescu of Romania, leader of the only Warsaw Pact country which did not verbally support the Soviet invasion of Afghanistan.

The Bucharest meeting was not scheduled in advance, and the Soviet news agency Tass reported laconically after Mr. Gromyko's departure that he had gone for "a brief visit" at the invitation of the Romanian leadership.

The Soviet Union is understood not to have told its War-

saw Pact partners about its plans to invade Afghanistan, and East European countries have reacted with thinly disguised apprehension to the likely consequences of a deterioration in their own relations with the West.

Romania has, however, been the only country to express this concern openly. Two weeks ago President Ceausescu made a major foreign policy speech in which he described the international situation as being more tense than at any time since the Second World War.

He announced plans to increase Romania's military and defence capability, and called

for reinforced national unity. The decision took on an added significance because, barely one year earlier, Romania had ostentatiously refused to follow the rest of the Warsaw Pact in raising its military contribution, on the grounds that the situation in Europe did not justify any such action.

As in 1968, at the time of the Soviet invasion of Czechoslovakia, Romania's main concern is to preserve its own relative national independence and keep Soviet troops out of the country.

Faced with widespread criticism of its actions in

Afghanistan, from the Third World as well as the West, the Soviet Union is now more determined than ever to ensure the loyalty and support of its Warsaw Pact allies, and Mr. Gromyko is expected to impart this message to the Romanian leadership.

It is also worthy of note that Mr. Gromyko's hurried visit closely follows a visit to Bucharest by Mr. David Newsom, the U.S. Under-Secretary of State, who discussed the Afghan crisis and other foreign policy issues with President Ceausescu earlier this week.

Mr. Clifford said yesterday that the U.S. acknowledged that India had special relations with Russia and he hoped that this would be used to persuade the Soviet Union to withdraw from Afghanistan. But he was equally firm in saying that U.S. was keen to send signals to Moscow that aggression would be repelled.

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France changing views on Olympic boycott

BY DAVID WHITE IN PARIS

FRANCE HAS qualified its position on the Moscow Olympics, after first appearing to be firmly against the boycott urged by the U.S.

Mr. Jean-Pierre Soisson, Minister for Sport, told the evening newspaper France-Soir that the decision was up to the Olympic Committee, but that France would take part only if the competition were genuinely worldwide.

If only Communist countries were represented, France "would have no business" being in Moscow, he said. He also said that if France sent its team

to Moscow, athletes would have a "conscience clause" to allow them to withdraw.

The statement contrasts with earlier declarations by M. Soisson in the same newspaper, when he said a boycott was out of the question.

The French National Olympic and Sporting Committee made clear that it had not yet sent its official acceptance of the invitation to participate in the games. It has until May 19 to do so.

The French Cabinet a week ago took the position that the committee was the only com-

petent authority. The Government did not condemn boycott proposals outright, but considered that jeopardising the games was not "the appropriate means" for settling the Afghanist problem.

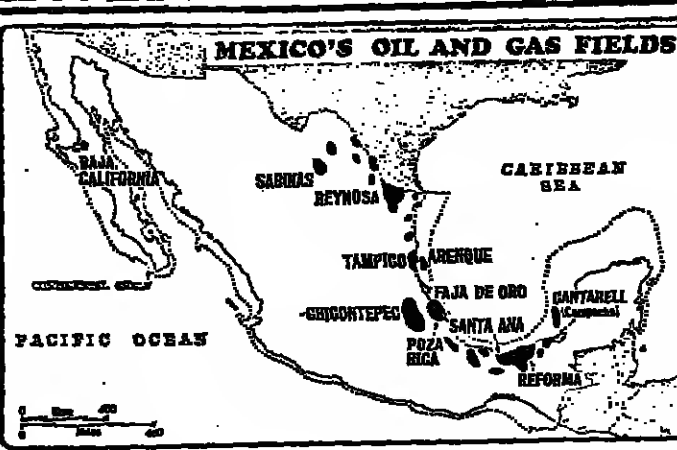
After an almost unanimous reaction by French politicians opposing a boycott, backed up by public opinion polls, an increasing number have jumped off the "France will go to Moscow" bandwagon.

The most noticeable was Mme. Simone Veil, the President of the European Parliament and formerly the most popular mem-

ber of the French Government, who came out in favour of a boycott.

Pro-Government politicians are divided. The majority of the Gaullist Rassemblement pour la République favour French participation at Moscow. Among the centrists, most of President Giscard d'Estaing's own small Republican Party are of similar mind.

The Opposition parties, starting with the Communists and followed by the Left-wing Radicals and, with some dissenters, by the Socialists, have reiterated their opposition to a boycott.



Oil production in Mexico may double to 4m b/d

BY WILLIAM CHISLETT IN MEXICO CITY

MEXICO is thought to be considering a sharp change in its present oil policy which could double the country's oil production over the next three years to around 4m barrels a day (b/d). This would make Mexico, which is not a member of OPEC, to output levels on a par with some of the world's leading exporters.

The Government is expected to decide officially in April. If and when the increased production is agreed, it will have important repercussions for Mexico's fast-expanding economy and for oil supplies generally. The decision itself would stem from the Mexican Government's growing financial and social problems.

Both Pemex, the state oil monopoly, and the Government are keeping quiet about the issue, which has sparked considerable debate in Mexico and understandable interest in the U.S. Mexico's northern neighbour takes about 85 per cent of the country's present oil exports of 700,000 b/d, and would obviously be interested in more from so safe and convenient a source.

Pemex has only confirmed that the Government's oil target of 2.5m b/d would be reached during the first half of this year, and that production would be 2.5m b/d by the end of the year. The 2.5m figure (of which 1.1m b/d is earmarked for export) was to be fulfilled by 1982 when this target was set in 1977, but was brought forward to 1980 because of the speed with which oil discoveries were being made. Production has doubled in the past three years to 1.5m b/d, and proven reserves have increased seven-fold to 45.8bn barrels, the sixth largest in the world.

The fact that Mexico's oil is coming on stream far quicker than expected, and the recent visit of Sir Y. K. Pao, Hong Kong-based magnate in the tanker business who is interested in building up an oil fleet for Mexico, has nevertheless lent credence to the reports of proposed oil production increase to 4m b/d by the end of 1982, when the present Government's term of office ends. Such an increase would not be impossible technically, although it would involve laying-in much infrastructure and earning millions of cubic feet of excess gas.

On the other hand it would appear to fly in the face of Government thinking for the past three years. President Lopez Portillo has repeatedly stressed the dangers of "economic indigestion" which could be caused by flooding the country with petrodollars.

Already the Government is facing growing inflationary problems. This year oil revenue should be \$9bn, compared with \$3.7bn last year, and the economy's 8 per cent growth is fuelling an inflation rate of over 20 per cent.

This year's budget deficit is officially estimated at \$8bn, thanks in part to continued heavy public sector subsidies. A similar sum will be needed to service \$30bn of foreign debt, and 7m tonnes of food imports will be needed, double last year's amount, because of the drastic fall in agricultural production. Meanwhile a population growth rate of 3 per cent a year means that 700,000 new jobs are needed annually to stop the 40 per cent unemployment and underemployment rate from rising.

Airline profits fall 66%

BY MICHAEL DÖNNE, AEROSPACE CORRESPONDENT

SOARING fuel costs have been a major factor in U.S. airline industry profits falling to an estimated \$400m (£17m) in 1979, a fall of \$900m from the 1978 level.

The Air Transport Association of America, in a preliminary report on U.S. airline activity last year, says the estimated profit of \$400m will be down 66 per cent on the 1978 level, and represents a profit margin

of only 2 per cent on revenues of \$26bn.

This was the biggest drop in earnings in the industry's history, and was due to fuel costs rising by 100 per cent, from an average of 40 cents a gallon to 80 cents.

The industry's 1979 fuel bill rose by \$2.5bn, to \$6.5bn, and is expected to rise further this year to \$10bn despite improved fuel efficiency.

ENERGY REVIEW

Oil tax: backlash with less sting

BY DAVID LASCELLES in New York

FINANCIAL executives from the U.S. oil industry got down to work this week, analysing details of the windfall profits tax—the largest revenue raising measure that has ever gone through Congress—in a mood of resignation rather than anger.

They knew that their high profits from soaring oil prices were bound to produce some kind of political backlash. It was only a question of how severe it was going to be. Now that the tax is finally on its way their view can be summed up: "We didn't want it. But it could have been worse."

Their biggest grouse is that it has come to be called the "windfall profits" tax because this implies that they are being penalised for making unjust gains. In fact, it is an excise tax because it is levied on revenues, irrespective of profits. This is not just a verbal quibble; for some companies, the distinction could be painfully real because the tax may wipe out the margins of producers of high cost oil.

The tax marks the final legislative step in the far-reaching package of proposals President Jimmy Carter put forward to solve the country's energy problems, by introducing realistic energy prices into the U.S. to encourage conservation and to finance future energy growth.

Last year he initiated the phasing out over a 30-month period of the complex structure of controls which have kept U.S. oil prices well below world levels. Broadly, these controls set prices for oil depending on whether they were "old oil" discovered before 1973, or "new oil" discovered since then. Certain special categories like

stripper oil and Alaskan oil were exempt.

But ending controls was bound to bring huge increases in oil industry revenues as companies obtained vastly higher prices for oil which was still costing them the same to produce. Not trusting the oil industry to plough these profits back into suitable energy projects, Mr. Carter proposed the Windfall Profits Tax to cream off a large part of the extra revenues and re-direct them.

He proposed a permanent tax at a level which would yield \$29.2bn in the 10 years to 1990. This tax was to be levied at a flat 50 per cent of the amount by which oil prices rose above a pre-determined level. Thus if controlled oil sold for \$10 a barrel, and rose to \$15 after ending controls, the oil industry would be liable to a 50 per cent tax on the increment, or \$2.50 per barrel. The tax was to be levied over and above state and federal royalties and taxes.

The only concession he wanted to allow was exemption from tax of newly-discovered Alaskan oil and of heavy oil because of the high cost and expensive technology involved. The oil industry was outraged by these proposals. But it turned out that while Congress shared Mr. Carter's view that some kind of tax was necessary, it also thought his proposals to be extreme. The House of Representatives toned them down to a tax "bite" of \$27.7bn, mainly by trimming the tax on existing Alaskan oil. The Senate then cut them down further to a "bite" of \$17.8bn, which was not surprising since that body is heavily influenced by senior senators from the oil producing states.

The Senate version differed radically from the President's and the House's in two ways. First, it was to be phased out over approximately 11 years, and second, while it penalised existing oil production more heavily (with taxes up to 75 per cent), it sharply reduced the levy on new oil production, and in order to provide incentives for new production.

The final step in the legislative process began a few weeks ago when the House and Senate got together in conference to thrash out a compromise. The first thing they did was agree to split the difference between their respective "bites", and settle on a tax yield target of \$27.7bn over the next 10 years. After that, it was a matter of deciding how best to achieve this target.

This presented difficulties and for several weeks the conference was deadlocked. Broadly, the dispute was between those who felt, like President Carter, that the tax should have a "blanket" character because anyone who produced oil whether now or in the future would benefit from ending controls, and those who felt the oil industry should be allowed a sufficient return and incentives to increase oil production, either by enhancing recovery from existing wells or going out to find new ones.

In the end the deadlock was broken with a tax that falls heaviest on existing production, but which sets considerably lower rates for hard-to-extract oil and newly-discovered oil. Thus, as the table below, the tax is structured along lines proposed by the Senate, but using rates that are as high, if not

higher, than those put forward by the House. The main categories are as follows:

OLD OIL: The tax drops the distinction between oil discovered prior to 1973, and oil found in that year and later. This streamlines the system, but at the cost to the oil industry of lumping all oil found before 1979 into the highest tax bracket (with the exceptions listed below). The tax levied on average at the end of last year. Thus, the bulk of U.S. oil will be taxed at the 70 per cent rate to start with, though the proportion will obviously decline as more "newly discovered" oil comes on to the market.

NEWLY DISCOVERED OIL: In order to give the oil industry incentives to find new oil, the two sides set a very much lower tax level of 30 per cent for any oil discovered in 1979 and after. This is seen as a major concession to the oil industry, though oil executives point out that for the next few years at any rate exploration for new oil will have to be financed from profits on "old oil" taxed at the highest rate.

INCREMENTAL OIL AND HEAVY OIL: Both are viewed as desirable but expensive sources of oil for which special tax treatment is necessary. Both, therefore, qualify for the 30 per cent tax rate. All categories in the 30 per cent band will be taxed on the difference between a base price

of \$16.55 a barrel and the final selling price. This band, therefore, enjoys a higher tax threshold than old oil.

ALASKAN OIL: existing Alaskan oil production (which is already exempt from price control because of the huge cost of opening it up) will be subjected to the same tax as old oil, i.e. 70 per cent. But any newly-discovered oil will be totally tax exempt. This exemption, the only one in the whole tax, was the single point on which President Carter and both both houses of Congress agreed. It recognises the special financial needs of Alaskan oil development, as well as the fact that most major U.S. oil discoveries for the rest of this century are likely to come from Alaska or its offshore regions.

INDEPENDENTS: independent or small oil producers and up enjoying special treatment. For the first 1,000 barrels of oil a day they produce the tax will be 50 rather than 70 per cent. Their stripper oil will also be taxed at 30 instead of the 60 per cent oil majors will pay. Independents won special recognition for the important role they play at the riskier end of the business.

Congressional members have yet to decide whether the tax should be permanent (as Mr. Carter and the House propose) or phased out once the \$27.7bn have been levied (as the Senate wants) which would tax about ten years. This is a major point which may only be resolved by means of a compromise which classes some of the tax as permanent and some as temporary.

But for all the oil industry's demurral of the tax, few

HOW THE WINDFALL PROFITS TAX EVOLVED

Comparison of Proposals

	White House	House	Senate	House/Senate Conference
Tax "bite":	\$29.2bn	\$27.3bn	\$17.8bn	\$27.7bn
Equivalent to a tax rate of	64%	61%	38%	50%
Duration of tax	Permanent	Permanent	11 years	To be decided
Tax categories*				
"Old" oil:	50%	60%	75%	} 70%†
"New" oil:	50%	50%	60%	
"Newly discovered" oil:	50%	50-60%	10%	} 30%†
"Incremental" oil:	50%	50-60%	20%	
"Stripper" oil:	50%	60%	60%	60%
	Permanent	Permanent	First 1,000 bbl/d produced by independents is exempt. After that, 60%. Phases out.	for majors 30% for independents
Alaska oil				
Existing:	60%	50%	60%	70%
New:	Exempt	Exempt	Exempt	Exempt
Heavy oil:	Exempt	Not exempt	20%	30%

* Oil Definitions: "Old": Oil found before 1973.
 "New": Oil found since 1973
 "Newly discovered": Oil found in future.
 "Incremental": Oil produced by advanced recovery methods.
 "Stripper": Small wells producing 10 bbl/d.

† On the difference between a base price of \$16.55/b

\$ Tax on both majors and independents will be levied on the difference between a base price of \$15.30 and the selling price.

† Independents will pay only 50 per cent on their first 1,000 barrels a day. The tax is to be levied on the difference between a base price of \$13/b (adjusted for inflation) and the price at which the oil is sold.

‡ On the difference between a base price of \$16.55/b and the selling price.

§ Tax on both majors and independents will be levied on the difference between a base price of \$15.30 and the selling price.

companies care to comment in detail on what it means for their operations, largely because it is still too early to say. However, a few general points are obvious enough. The American Petroleum Institute, the oil industry trade group, has produced an estimate of what it means for the industry as a whole.

Lifting oil price controls, it says, will produce \$1,025bn in extra revenues in the next ten years, assuming annual inflation of 7 per cent. Production costs in that period will be \$37bn, leaving gross revenues of \$988bn. Given that the tax will be levied on top of federal and state

royalties and corporation tax, the API estimates that the oil industry will have to band over \$710bn of all the increased revenues resulting from decontrol. This would leave it with \$228bn, or only 24 per cent.

However, it is obvious that the tax will land hardest on those oil companies which depend to a greater extent on U.S. production for their crude supplies. The few companies fortunate enough still to have reliable sources of foreign crude will be relatively better off. The irony of the tax is that it will encourage oil companies to do business abroad, away from the taxman's reach, which is quite

the opposite of what Mr. Carter intended.

There is one possible sweetener to the tax, and that is the strong likelihood that Congress will vote a more generous depreciation allowance for industry as a whole before long. However, it is little consolation for an industry which has just seen a king's ransom snatched from under its nose, with the implication that it cannot be trusted to spend the money wisely. In the country as a whole, the tax is popular, particularly since it has been debated at a time when oil industry profits have doubled or even trebled.

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OVERSEAS NEWS

Algeria, Indonesia consider new oil price increases

BY RAY DAFTER, ENERGY EDITOR

ALGERIA AND Indonesia are among major oil exporters considering new price increases, following the move by Saudi Arabia and other Gulf states to raise crude oil prices by about \$2 a barrel.

If Algeria and Indonesia do decide to follow Saudi Arabia's lead, it will almost certainly start a new wave of price increases through producing countries in Africa, the Middle East and South America.

North Sea producers, whose prices are linked to international market rates, would also be forced to raise their rates.

At present, the reference price for high-quality North Sea oil has been set at \$29.75 a barrel, well above Saudi Arabia's new market price of \$26 a barrel for Arabian light crude, but still considerably below the \$33-\$34.72 a barrel being charged by Algeria and Libya.

On Monday, Saudi Arabia raised its reference price by \$2 from \$24 a barrel in an attempt to stabilise the world oil market and to bring its prices more in line with other exporters. The increase was backdated to January 1.

Immediately, four other major exporters—Kuwait, Iraq, the United Arab Emirates and Qatar—followed suit, undermining the Saudi effort and raising the prospect of a new spate of price leapfrogs.

Algeria is said to be considering a similar \$2-a-barrel rise. If implemented, the price of its Saharan and Zazairine would rise to \$35 a barrel, although this would include a \$3 a barrel exploration levy which could be refundable in certain cases.

Algeria has already informed clients of its intention to raise prices, according to Bulletin de l'Industrie Pétrolière (BIP) in Paris. But some importers of

Algerian oil have apparently replied they would find it more profitable to buy refined oil products on the open market.

Petramina, Indonesia's state-owned oil company, has also indicated it is considering a \$2-a-barrel rise. An announcement could be made within the next few days. If Indonesia goes ahead, the price of its Sumatran Light crude oil would rise to a record \$29.50 a barrel.

The oil industry is puzzled by the wave of price revisions, because it coincides with a sharp fall in spot market rates. According to Rotterdam spot market dealers, cargoes of crude oil are being offered at between \$30 and \$33 a barrel, depending on quality, as against \$34-\$35 a barrel last week, and \$39-\$40 a barrel before Christmas.

High storage levels and the expectation of reduced demand are said to be the underlying reasons for the drop in spot market rates.

Israel to tighten West Bank controls

By David Lennen in Tel Aviv

ISRAEL is planning to tighten its control over the West Bank and Gaza Strip, even as U.S., Egyptian and Israeli officials start a new round of talks yesterday on the occupied territories.

Mr. Sol Linowitz, special U.S. envoy, held a closed meeting with the heads of the Israeli and Egyptian delegations in a search for common ground which might break the deadlock between the two countries over the nature and scope of autonomy.

As the negotiations resumed, Mr. Menahem Begin, Israel's Prime Minister, told a group of Knesset members that the Cabinet would shortly table legislation making it easier to expropriate land in the occupied territories for Jewish settlements.

Justice Ministry officials are preparing a number of options for new legislation which will make it impossible for Arab farmers to appeal against the seizure of their land for settlements.

The decision to introduce new legislation was taken in the wake of the High Court ruling that land seized for the construction of a new settlement had been taken illegally.

During a talk with the settlers this week, Mr. Ariel Sharon, Minister in charge of settlements, said that although they had to move to a new site, the Government had not abandoned its plans for the area. A chain of Jewish settlements would be built around Nablus, the highest Palestinian town on the West Bank.

Reginald Dale adds from Jerusalem: Mr. Begin yesterday sharply rejected Egypt's latest proposals in the Palestinian autonomy talks, and accused Cairo of a "complete deviation" from the Camp David agreement.

The three main points he objected to were: Cairo's constitutional pact with the West Bank in the five-year transitional period, the suggestion that Arabs in Jerusalem should be included and the requirement that Israel's remaining security forces in the area should seek permission from the new West Bank authority before moving from their positions.

Mr. Begin corrected reports that he had called for a new Camp David style meeting between himself, President Carter and President Sadat of Egypt, to settle the autonomy issue. He would be willing to attend such a gathering, but had not suggested it.

The proposals he rejected were not mentioned in the Camp David agreement, Mr. Begin declared. Egypt has called for a legislative council with 80-100 members, of whom 10-15 would constitute an executive, plus a judicial council.

Nothing about this had even been mentioned at Camp David, Mr. Begin added. He struck firmly to the agreed formula of "a self-governing authority" (administrative council) and rejected anything that would open a "corridor" leading to the establishment of a Palestinian state.

WORLD TRADE NEWS

Yamazaki to set up tool company in Worcester

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

YAMAZAKI MACHINERY, a leading Japanese maker of numerically controlled machine tools, is to establish a wholly-owned sales company in Worcester, Massachusetts.

The company will initially concentrate on sales and servicing of machine tools but will expand its activities into other fields if labour conditions turn out to be satisfactory.

Yamazaki has selected a site for its plant and hopes to complete building work by April next year.

Yamazaki's interest in the UK reflects the fact that Western Europe has become by far the fastest growing market for Japanese machine tools exporters during the past two years.

Yamazaki's shipbuilding of NC-controlled lathes and machine tools centres to Europe have increased from about three to four units a month three years ago to 30 to 40 units now.

Orders from Europe are running at about 50 units per month.

Yamazaki's European sales are still only about 60 per cent of its exports to the U.S. (where the company already makes NC-controlled lathes and may soon make machine centres). However, the European market is growing more rapidly than the U.S. market. The UK is Yamazaki's second biggest European customer for lathes and machine tools centres, preceded by West Germany where the company plans another wholly-owned sales and servicing company.

Yamazaki is one of the top three Japanese exporters of NC lathes but is the only one so far to build up an overseas manufacturing operation (in the U.S.).

The company, like its rivals, has enjoyed extremely rapid growth in the past few years mainly because of booming demand from Western markets (where local machine tool manufacturers seem to have been unable to keep up with the numerical control revolution).

Japan's exports of numerically controlled lathes to the U.S. are running at about 1,500 units a year, equivalent to at least 75 per cent of the U.S. industry's domestic manufacturing capacity.

The sharp increase of Japanese exports has exposed the Japanese industry to anti-dumping investigations, but the Japanese makers claim that, for the time being at least, neither American nor European could dispense with Japanese machines.

Toyota rethinks assembly policy

BY RICHARD C. HANSON IN TOKYO

TOYOTA Motor Sales said yesterday it is reappraising its knock-down car assembly operations in Portugal and Ireland in the light of planned changes in import policies in both countries.

In Portugal, Toyota assembles 1,500 cars and 3,000 commercial vehicles in the country.

Ireland, under a pledge made when it joined the EEC, plans to lift restrictions on completed vehicle imports by 1984.

Toyota assembles 5,500 Corolla model cars a year at Toyota Ireland (100 per cent

commercial vehicles). It will do this because of a new Government policy which calls for the lifting of restrictions on the import of completed vehicles by 1984, or by the time it joins the Common Market.

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Toyota assembles 5,500 Corolla model cars a year at Toyota Ireland (100 per cent

locally owned) on a knock-down basis. In return for running an assembly operation, the Irish Government allows Toyota to import about 6,000 completed cars a year.

The Irish Government is attempting to diversify away from car assembly operations in preparation for the liberalisation of imports. Toyota said it may consider other lines of business in Ireland and is studying a change in the type of vehicle it assembles there. It does not plan to withdraw from assembly entirely.

Toyota Ireland (100 per cent

Citroen acts to meet downturn

BY TERRY DODSWORTH IN PARIS

FURTHER EVIDENCE that the long drawn-out boom in French car sales is now over has come with a decision by Citroen, one of the partners in the PSA Peugeot-Citroen group, to cut output this month by closing its plants for two days.

Citroen's announcement follows only a few days after a similar, but more serious production cut at Talbot, the former Chrysler-Simca company, which is now part of the same PSA group. Talbot after closing its plants for a longer than normal spell over the Christmas

period, is trimming 11 hours off the average working day for four days a week up to the end of April.

The third arm of the PSA organisation, Peugeot, has also reached last year. A secondary market recently, and took steps to reduce production over Christmas. Thus, of the big French car companies, only the nationalised Renault group seems confident of maintaining its production through the first quarter of this year.

Predictions of the possible decline in the French market

very widely, up to a top limit of about 6 per cent.

Citroen expects a drop of between 2 and 5 per cent compared with the record level of almost 2m vehicle registrations reached last year. A secondary market recently, and took steps to reduce production over Christmas. Thus, of the big French car companies, only the nationalised Renault group seems confident of maintaining its production through the first quarter of this year.

Predictions of the possible decline in the French market

Textile import controls to stay

BY RHYS DAVID

CONTROLS on imports of textiles and clothing into the UK from the developing world are likely to be continued in much their present form when the GATT Multi-Fibre Arrangement comes up for renewal in two years' time, Mr. Cecil Parkinson, a Minister at the Department of Trade, forecast yesterday.

The Government was also determined to continue to fight unfair trading practices affecting textiles and would also insist on the strictest possible application of MFA and EEC rules to prevent disruption of the UK textiles market, he told members of the Manchester Chamber of Commerce.

Mr. Parkinson, in a speech intended to allay industry fears of a lack of Government commitment to maintenance of the

industry, also gave an assurance that orderly arrangements for the accession of Spain and Portugal — both large textile producers to the Community — would be sought.

The Minister pointed to a number of areas, however, where the industry must help itself. "What the Government cannot do is to regulate fashion changes, protect firms that do not update their designs, protect workers who will not operate modern machines effectively, or generally stop or control imports of textiles from other developed countries, many of which have wage costs far in excess of our own," he said.

Mr. Parkinson also pointed out that, taking textiles and clothing overall, Britain still imported less than one third

of its needs, and that two-thirds of imports came not from low cost developing countries but from Europe and the rest of the developed OECD. The MFA had worked well on the whole in limiting the growth of imports, and voluntary restraint arrangements had also been negotiated with all the major Mediterranean producers — except Turkey — which have a special association agreement with the EEC.

Efforts were being made to secure a voluntary agreement with Turkey for 1980 and the EEC would also be trying to negotiate special transitional arrangements with Spain and Portugal to prevent a surge in their exports on entry into the Community.

\$144m Skylab deal for ESA

PARIS—The U.S. National Aeronautics and Space Administration (NASA) has signed a \$144m (\$22m) contract for a two-man space laboratory to be built by a European consortium, the European Space Agency (ESA) said yesterday.

Prime contractor is the West German concern Erno, and the contract provides for the supply of equipment and spares from October 1981 to April 1984.

Specialised is an orbital laboratory to be launched with the NASA space shuttle, to which it will remain attached. It can spend at least a week in space, ESA said.

The first space mission is scheduled for April 1982.

France, China consider joint watch-making plan

BY TERRY DODSWORTH IN PARIS

THE POSSIBILITY of technological co-operation between the French and Chinese clock and watch making companies has been raised in the wake of two French trade missions which have visited China in the past few weeks.

French companies in the delegations, which have included manufacturers' both of components and finished timepieces, are said to be favourable to setting up joint operations in China.

Such businesses would fall broadly in line with recent agreements between the two

countries which foresee more co-operative deals designed to help small Chinese companies through the injection of French technology.

At present, China is running a balance of trade surplus with France in this sector. French companies have, however, technical operation agreements could lead to a development of their export trade with China as well.

Renfer reports from Peking: China last year increased its coal-mining capacity by 14m tonnes compared with a 12.5m-tonne rise in 1978.

CBI finds Rhodesia a tough market

By Frank Gray

BRITISH businessmen are going to find Rhodesia a tough market to break into and should be prepared to send their senior sales representatives if they hope to gain a foothold there.

An 11-member mission of the Confederation of British Industry (CBI) has just returned from Rhodesia, and yesterday expressed optimism at the potential for trade between the two countries. The mission's optimism, however, centred on the availability of finance and heavy equipment to bring Rhodesia's industrial infrastructure up to date.

It was less enthusiastic about the potential for breaking into the consumer goods market because the country had attained 90 per cent self-sufficiency in this sector and full self-sufficiency in foodstuffs, albeit at austere levels. "The Rhodesians will not import anything like what they imported in these areas before UDI," said Mr. Daniel Stewart, general manager for the CBI's East and Southern Africa division of the Standard and Chartered Bank.

"There is no point in UK industry sending out junior representatives," he commented, at the Press conference. "This is a highly sophisticated market and I would urge British industry to send out senior representatives."

Mr. Stewart, who spent eight days in top level talks with Rhodesian bankers, industrialists and civil servants, stressed, however, Rhodesia's need for all types of capital goods for their railways, power stations, transport and mining.

"They have a high credit rating and are substantially underborrowed by international standards," he added. Specific sectors discussed during the visit were the Wankie power scheme and the electrification of the Salisbury-Gwelo railway.

Mission representatives also met with black business leaders in Salisbury and Bulawayo in the retail, hardware and building materials trade, in advertising and in bus transportation. They did not meet any political leaders.

Meanwhile, the Department of Trade has given a rough estimate that trade between Britain and Rhodesia ought to rise to about \$200m within the next year from the 1975 UDI 1965 level of \$60m, evenly balanced between exports and imports. There was little doubt that within four years Rhodesia would emerge as Britain's third most important trading partner in Africa—after South Africa and Nigeria.

MAN truck plan upsets UK hopes

By Tony Hawkins in Salisbury

MAN, WEST German truck manufacturer, is to build a \$500,000 plant in Rhodesia to assemble lorries and trucks. It is the second major settlement in the motor vehicle manufacturing sector to be announced in Salisbury within a week, following the news that Volkswagen is to assemble its Golf passenger cars for the Rhodesian and neighbouring markets at the Willowvale assembly plant which, prior to the unilateral declaration of independence in 1965 was owned and operated by Ford Motor at Capetown.

In the pre-sanctions period the Rhodesian motor vehicle market was dominated by Ford and BL, both of which operated assembly plants and Britain's largest export to Rhodesia in 1965 was motor vehicles.

The MAN trucks are to be assembled at a local plant over the next 18 months while the new factory is being built at Sinoia in the north-east.

Already, selected Rhodesian technicians are being trained by MAN at its assembly plant at Pinetown near Durban in South Africa.

Japanese loan for Iranian chemical plant

TOKYO—Japanese banks have this week advanced a \$30m (\$22.5m) loan to Iran as part of the financing package for the petrochemical complex in southern Iran.

The loan by the Export-Import Bank of Japan and a syndicate of 20 domestic banks was the first made toward the \$1.5-billion petrochemical project in Bandar Khomeini since last September. By last September, the syndicate had lent ¥58,900m of a total ¥600m pledged for the venture.

Mr. Eiichi Yamashita, senior managing director of the Industrial Bank of Japan, said on Wednesday that the loan was a prelude to a full-scale discussion of the project, which has been held up for almost a year. Agencies

China renews pressure on Hanoi

BY TONY WALKER IN PEKING

CHINA appears to be intensifying its diplomatic offensive against Vietnam and foreign ministry officials here have confirmed that Sino-Vietnamese peace talks will not go ahead as planned. Peking has also renewed its claim to the Paracel and Spratly Islands in the South China Sea.

At the same time, China is continuing to charge Hanoi with border violations. The Chinese say a series of incidents have taken place during the first month of the year. Several resulted in loss of life.

Western diplomats say that China may be seeking to take advantage of the unpopular Soviet action in Afghanistan which Vietnam has been obliged to support.

Abandonment of the Sino-Vietnamese peace talks for the time being follows similar action taken last week over negotiations between Peking and Moscow. A Foreign Ministry official, Mr. Han Nianlong, Deputy Foreign Minister and chief Chinese negotiator at the Sino-Vietnamese peace talks, was too busy to attend.

The Chinese response came after the Vietnamese had proposed several dates for a resumption of the talks. A statement from the Vietnamese embassy here said that if China continued to delay the resumption of the talks, this would one more show its lack of goodwill in seeking a negotiated settlement of the problem in relations between the two countries.

In its dispute with Hanoi over the islands in the South China Sea, Peking claims that Vietnam has reversed an earlier acceptance of Chinese sovereignty over the Spratly and Paracel Islands. In its statement the Vietnamese embassy rejected the Chinese claim and reaffirmed that the islands belonged to Vietnam. The disputed islands have become increasingly important in recent years with the prospect of oil finds in the area.

The Chinese said yesterday that the islands had been "China's territory since ancient times." They listed historical precedents and various agreements and maps to back up the claim.

Botha may bypass his MPs to force pace of change

BY QUENTIN PEEL IN JOHANNESBURG

THE South African Parliament assembled in Cape Town today, in an atmosphere of unprecedented expectancy.

On one hand, the booming gold price has aroused visions of a dramatic revival of the previously languishing South African economy. On the other, the language and style of P. W. Botha after 15 months as Prime Minister have created expectations of far-reaching reform in the embattled bureaucracy of apartheid.

In spite of the huge fluctuations in the gold price since it topped \$850 in the New Year, gold fever is still rampant in South Africa. The sudden doubling of the cash flow to South Africa's gold mines has also boosted state revenues, bringing the hope of big hand-outs from Senator Owen Horwood, the Minister of Finance, in his March budget. Business confidence has rapidly picked up and economic forecasts for the coming year are being revised upwards by the week.

Mr. Botha's administration is almost equally responsible for the transformation. Within a matter of months of the traumatic resignations of Mr. John Vorster, the former Prime Minister, from the position of State President for his part in the creation of the Information Department slush fund to buy friends and support for his Government, his successor is riding on a crest of optimism.

In the event, both the gold price and political hopes could prove inflated. The biggest question over the coming Parliamentary session is whether Mr. Botha will match his promises of racial reform

with action. In spite of the expectations aroused among his own white electorate he has to overcome an abiding scepticism in the black community.

More immediately, he faces a constant struggle to persuade the great Conservative majority of his own party of the need for change. Finally, there is still some question over just how far he is willing or ready to go in seeking to tackle the glaring racial inequalities of South Africa society.

To some extent the strength of the gold price could help Mr. Botha buy time. Two relatively uncontroversial areas likely to benefit from increased state spending are black housing and black education, as part of the effort to improve the material welfare of the majority black population.

But accelerating economic growth is also likely to bring forward the need for streamlining the apartheid bureaucracy. The major bottleneck is the shortage of skilled manpower, coupled with a persistently high rate of inflation.

Mr. Botha is likely to face continuing pressure further to liberalise the country's labour laws and to allow faster training and promotion of black workers, if he is to head off an inflationary wage spiral. He is likely to introduce legislation to implement the major recommendations of the Riekert Enquiry intended to make black labour mobility and recruitment more efficient.

If he can face down conservative opposition from his own party, and from the white trade unions, he may also take

further action to implement the recommendations of the Wiesbaden Commission on the organisation and training of labour.

The Government does not, however, appear to be committed to a clear programme in the coming session, which is more likely to be dominated by external events. The situation in Rhodesia is the most important foreign influence, and any progress towards a peaceful settlement in neighbouring Namibia (South West Africa) seems certain to be held back until it is clear whether the British initiative has been successful in Salisbury.

The advent of a hostile and radical black Government in Rhodesia would make Mr. Botha extremely loath to risk any danger of a similar development in the South African-ruled territory, and therefore he could finally reject United Nations attempts to promote a settlement.

Even on the domestic political scene, the extra-parliamentary debate is likely to prove more important than discussions in the House. Already Mr. Botha has virtually abandoned his blueprint for a new constitution, granting separate Parliaments to the coloured (mixed race) and Indian population groups because of his inability to win their support.

As for black politics, the National Party is involved in a direct dialogue with Chief Gatsha Buthelet's Inkatha Movement, in an attempt to open new lines of direct communication. There is, however, still no move to talk to more radical black leaders.



Mr. P. W. Botha: Many promises outstanding

The growing irrelevance of Parliament is also underlined by Mr. Botha's strategy of liberalising racial discrimination in areas such as sport and restaurants by special permits and exemptions rather than by new laws. At the same time, he has set up a series of extra-parliamentary commissions to discuss major aspects of policy. In this way he can avoid divisive debates within his own party, and introduce reform by the back door.

The other major reform promised for the coming year, is an overhaul of the civil service and of the operations of the Cabinet. Mr. Botha has greatly increased the power of his National Security Council, on which his military commanders sit. He has also set up a series of inner Cabinet committees, at the expense of the wider Cabinet and the party caucus in Parliament.

Whatever new legislation may be seen to the coming session, the steady erosion of the power and influence of the all-white Parliament may ultimately prove more important.

Nordic pulp price may rise 10%

BY WILLIAM DUFFLOR, NORDIC EDITOR, IN STOCKHOLM

EUROPEAN paper makers can expect to pay more for supplies of Nordic pulp from April 1, according to Swedish pulp industry sources.

Two major producers confirm that they are considering increases of between 5 and 10 per cent for second quarter delivery and the rise is likely to be nearer 10 per cent than 5 per cent.

A 10 per cent increase would take the price of the leading quality, bleached sulphate pulp, to \$550 (£245) a tonne, from \$500 (£225) a tonne. The Swedish and Finnish mills last raised the price by \$25 a tonne for delivery in the first quarter of this year. In 1977 they were selling bleached sulphate pulp for \$330 a tonne.

Cellulosa's information director, said his company considered the market was firm enough to take a price increase. A 10 per cent rise might be possible, but the exact level had not yet been discussed within the company.

Mr. Göran Sjöberg, MoDo's sales director, said price increases were usually announced a month in advance but an announcement could come earlier on this occasion, in order to allow continental paper makers time to adjust their prices.

The background favouring a price increase is the tight supply situation in the Nordic countries and North America. Industry experts had calculated earlier that the combined 1980 North American/Nordic output

of market pulp would be some 500,000 tonnes greater than last year, but this level will probably not now be reached.

The Nordic mills have been running at full capacity for nearly two years and are now experiencing more frequent breakdowns.

The North American market situation is also a key factor in the Nordic producers' calculations. The U.S. mills are experiencing a profit fall, as inflation accelerates and they have to pay higher energy and labour costs. The Americans, the Nordic producers believe, will also be seeking price increases and will be in no position to raise deliveries of cheaper pulp to Western Europe.

BP Chemicals may build methanol plant

BY SUE CAMERON, CHEMICALS CORRESPONDENT

BP CHEMICALS is understood to be considering building a methanol plant at Hull. It would use gas from the North Sea West Sole field as a raw material.

The company is believed to be carrying out a feasibility study on the project. A "world-scale" methanol plant would be able to produce between 500,000 and 750,000 tonnes and cost something in the region of £75m to £85m.

If the BP group went ahead with the project it would also have to invest a considerable sum in increasing gas production from the West Sole field. It might be necessary to build another gas pipeline from West Sole to Hull.

A 44-mile pipeline runs from West Sole to Easington, on the coast, and BP Chemicals uses some of the gas that goes through it to power plants at the Hull site. Most of the gas from West Sole is sold to the British Gas Corporation.

Under a 20-year contract signed with BP in 1970 the corporation is entitled to 150m cu ft of gas a day, about 1.3bn cu metres a year. It is understood that the contract is being reviewed.

Production from West Sole, the first UK gas field discovered in the North Sea, has started to decline. It is believed that if BP Chemicals builds the methanol plant at Hull additional compression facilities will

have to be put in on platforms in the field. BP might drill more wells on the field.

Under the 1975 Energy Act Government permission is not required for an oil company to provide gas onshore to one of its subsidiaries, such as a chemicals producer.

BP Chemicals takes about 140m cubic metres of gas a year from the West Sole field for use at Hull. If it builds a methanol plant there, it is most unlikely that construction would start until the end of the decade.

Methanol is used in making such products as formaldehyde, industrial solvents, and antifreeze compounds, and as an intermediate for pharmaceuticals and fine chemicals.

Bernard Wardle closes factory

BY ROBIN REEVES, WELSH CORRESPONDENT

THE BERNARD WARDLE Group, presently the subject of a takeover bid from Mr. Ferguson Lacey's Birmingham Midlands Counties Trust, yesterday announced the closure of its Caernarvon factory in North Wales.

The factory employs 321 staff. However, it is understood that 100 will be offered jobs elsewhere in the group.

The company, whose main activity is the manufacture of PVC sheeting, said that following analysis of future market prospects it had decided to concentrate its production of coated fabrics at its Armordite factory at Ebury, near Colne, Lancashire.

The group believes that as a result of this move it will be better able to maximise the market potential for coated fabrics and be able to compete more effectively because of reduced overheads.

Although small by comparison with the thousands of steel redundancies threatened in South Wales, the closure is a body blow to the economy of the Caernarvon region. Bernard Wardle has long been the second largest manufacturing employer in an area acutely short of light industry and with a double-figure unemployment level.

Even before the announcement, the number of jobless was destined to rise sharply in the months ahead as a number of major civil engineering projects are completed. These include a new district hospital and the Britannia Bridge Road Crossing across the Menai Straits to Anglesey.

Mr. Tom Jones, the Transport and General Workers' Union district secretary, said they would be doing everything possible to fight the closure.

"We are just pawns in a chess game," he declared.

The Caernarvon factory, he claimed, was running at a profit and making better fabric than any other company within the group. Last year the unions had accepted 75 redundancies at the plant. Yet, thanks to close co-operation with the local management they had increased output to above the pre-redundancy level.

Mr. J. W. Sharpe, group managing director and chief executive, denied the decision had anything to do with the current 51 per cent takeover bid from Birmingham Midlands Trust. This bid is described as a "friendly" though shareholders are currently being advised by the Bernard Wardle board to take no action until it makes a further announcement.

Mr. Sharpe conceded that Welab fears for the future of the Caernarvon factory had been expressed two years ago, when Wardle first purchased the Armordite Division of Champion Associated Weavers for £2.6m. This added to the group's PVC coated fabrics production capacity at a time when the market for the material, once very widely used for car upholstery, was contracting.

Then, the company insisted that these anxieties were misplaced. The acquisition, it said, would increase security of employment inside a stronger and more progressive group of companies.

Delta Metal to sack 850

BY ROY HODSON

TWO-THIRDS of the 1,350 workforce at the Enfield, Middlesex, rolling mills division of Delta Metal are to be made redundant because of the poor market for rolled copper and brass.

The company has been fighting a fall in demand for copper and brass sheet and strip products. Mr. Alan Adlington, managing director of the division, said yesterday that the worsening pattern of trade was expected to continue for some time.

A total of 850 redundancies is planned at the rolling mills. A further 600 employed by Delta Enfield Cables will not be affected.

As demand for copper and brass products has been affected by world economic recession and the availability of alternative materials, producers have been subjected to increasingly severe competition both at home and abroad. Delta has been losing money on its rolled metals operations.

No changes are envisaged in the rest of Delta's metals operations. The group's stockholders will continue to offer a full range of copper and alloy products.

Special arrangements have been made with the Manpower Services Commission to find new jobs in the Enfield area for the redundant Delta workers. The group is also planning consultations with unions at the plant.

Yard fraud squad probes loss of sunk tanker's oil

BY JOHN MOORE

SCOTLAND YARD'S metropolitan and City Police company fraud squad is investigating aspects of the circumstances surrounding the mysterious sinking of the oil tanker Salem, and the disappearance of a cargo of oil with an insured value of \$56.3m (about £25m).

The investigation follows submission of a report by Shell International Trading to the Director of Public Prosecutions.

The Salem, 213,028 dwt, a crude carrier, was bound from Kuwait to Italy with a cargo of 193,132 tons of crude oil which Shell had bought in mid-voyage from a Swiss company, Pantoli.

The 1959-built ship, purchased by the Oxford Shipping Company of Liberia only a month before, sank off the West African coast on January 17 after a series of explosions.

A Tunisian member of the crew has stated that the bulk of the oil cargo was discharged at Durban, after an unscheduled stop.

He has said that the ship was later sunk off Dakar, Senegal. The London police are investigating "certain UK aspects of the matter, including the insurance and purchase of the cargo."

Lloyd's has not yet received insurance claims on the cargo from Shell, but lead underwriters on the insurance business alerted Mr. Robert Bishop, an insurance investigator, who was conducting inquiries yesterday on the underwriters' behalf.

The vessel is insured for \$24m, of which 75 per cent is covered in London by Lloyd's and the insurance companies.

Hull underwriters, under the leadership of Mr. John Oliver, a Lloyd's man, have been pursuing their own inquiries. Their solicitors Ince and Company have interviewed members of the crew in Dakar, Piraeus and elsewhere.

Technical experts have been called in to test the feasibility of the crews' account of the sinking.

The cargo is insured in London by Lloyd's underwriters and companies. Cargo underwriters are investigating the fate of the cargo through their solicitors, Clyde and Company.

This has disclosed that the vessel called and discharged most of the oil cargo at Durban at the end of December. Lloyd's said that widespread inquiries were continuing in co-operation with the police.

Machine tool orders static

By Hazel Duffy

THE TREND of new orders in the machine tool industry showed very little movement in the third quarter of 1979. Figures published in Trade and Industry today put the October index at 82 (1975=100), which is the same level as in June, August and September, 1979.

The figures, however, mask a distinct difference between home and export markets. While new home orders showed a fall of 11.3 per cent between July and October, new export orders rose by 18.5 per cent.

Well will test size of Alwyn Field

BY RAY DAFTER, ENERGY EDITOR

A CONSORTIUM of oil companies is to drill a North Sea well to test whether the sizeable Alwyn Field, east of the Shetland Islands, is bigger than presently assessed.

Pict Petroleum, a small UK independent oil company, said yesterday that the well would be drilled in the southern half of block 3/14b. Pict has a 4 per cent stake in this concession. Other members of the consortium which will be involved in the drilling operation are Total (15 per cent), Elf Aquitaine (30 per cent) and British National Oil Corporation (51 per cent).

In Edinburgh that the company was participating in 29,000 acres of licensed area in the North Sea—one of the largest holdings by independent UK energy companies. Pict intended to increase that acreage by applying for prospective new blocks in the seventh round of licences.

Double

Pict, which also intends to seek a Stock Exchange listing, has additional interests in over 100 onshore wells in North America. That number could double this year.

The company reported that it made a profit of \$88,000 for the year ended October 31 (£30,000 in the previous year) before writing off exploration expenditure.

A four-year study is being mounted into the environmental effects of development and operation of the Beatrice oil field in Scotland's Moray Firth, due to come on stream in 1981.

British National Oil Corporation, the operator, has awarded a contract for the study to Sphere Environmental Consultants, which will also look at the effect of development on commercial fishing in the Moray Firth.

Attractive

Alwyn was discovered by the Total/Elf group in 1973 but up to now its reserves have been regarded as too small to be commercially exploitable. Yet with improving technology and rising oil prices the discovery is now looking much more attractive.

Pict, which has already participated in the drilling of 24 wells in the North Sea, said that it would be involved in at least three further wells this year.

Mr. Ewan Brown of Noble Grossart, the managers of Pict, said at Pict's annual meeting

Deloitte Haskins links with Swiss accountants

BY MICHAEL LAFFERTY

DELOITTE HASKINS and Sells, the UK and international accounting firm, is joining forces with Fiduciaire Ofor, the big Swiss accounting firm, which until recently was associated with Touche Ross.

The link strengthens Deloitte's position in the Swiss accountancy services market, which is one of the most attractive in Europe outside the EEC. Deloitte already has about 50 staff of its own in Switzerland.

It is planned that these will gradually integrate with the 140 Ofor staff.

The arrangement is thought to be one of the first of several new alignments in the European accountancy profession expected to emerge in the next year. Changes in associations between major European firms and the big international accounting groups are under discussion in number of countries, including Germany and France.

Two top aviation brokers defect from Bowring

BY JOHN MOORE

TWO TOP aviation insurance brokers have left C. T. Bowring and Co. to join a rival firm of brokers, Leslie and Godwin. Their departure from Bowring is the first major staff defection after the unwelcome £237m bid for the firm from Marsh and McLennan Companies Inc. of the U.S., the world's biggest insurance broker.

Mr. A. H. Bolton and Mr. A. M. Pinsett, directors of C. T. Bowring and Co. (Insurance), resigned this week. Leslie and Godwin approached them more than two weeks ago. Mr. Pinsett is an experienced broker of satellite insurance business, but Mr. Bolton is more senior.

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Continental furniture makes £219,000

CONTINENTAL FURNITURE at Christie's yesterday made £219,440. The highest price, nearly twice the pre-sale estimate, was £11,000 for a 17th century Flemish ebony and tortoiseshell cabinet on a stand. By reputation the cabinet was given by Charles II to Sir Robert

export porcelain sold by the same house in New York on Wednesday and Thursday came to a total of \$513,350. A Philadelphia dealer gave a record \$20,000 for "The Nation-Makers," by Howard Pyle.

Bonhams in London yesterday put a collection of European oil paintings under the hammer to the sum of £100,543. A landscape by Henry John Boddington fetched £7,500. "The Playful Kitten," by Thomas Faed, made £4,800, and an Italianate landscape by Theodor Schurz £3,300.

English ceramics made £37,042 at Sotheby's Belgrave. The highest price was £1,850 for a Royal Worcester Dessert service, followed by £1,300 for a Royal Worcester tea set and £1,200 for a Coalport dessert service.

Porcelain

Porcelain sold by Sotheby's in New York on Wednesday included a recumbent elephant tureen and stand at \$11,454, and Chinese export large candlestick figures of Court ladies at \$5,727. The total for the porcelain was \$70,861.

SALE ROOM

BY PAMELA JUDGE

Viner, Lord Mayor of London in 1674. The items in the sale from the Henry Vyner settlement, removed from Fountain Hall, Ripon, totalled £34,065.

Record

Wagner, Vienna, gave £8,500 for a pair of Italian figured walnut commodes. Frouzan paid £8,500 for a Brussels tapestry and a private Belgian collector £5,900 for a Bonlie burwan mazarin. Fung sold at Christie's South Kensington made £15,973 with an English trompe l'oeil velvet. From about 1775 making £700.

More coal consumed by power stations

By Martin Dickson

BRITAIN consumed 7.4 per cent more coal last year than in 1978 with rising imports more than offsetting a slight fall in domestic production. Power stations accounted for the bulk of the increase.

According to the latest issue of Energy Trends, the Department of Energy's statistical bulletin, Britain consumed 29.4m tonnes of coal in 1979. However, provisional figures show domestic coal production to have been 122.4m tonnes—down 1 per cent on the previous year.

Although production from the Coal Board's deep mines rose by 0.2 per cent to 107.7m tonnes, this was more than offset by a fall of 1.3m tonnes from open cast mines operated by contractor companies. Production from open cast mines, which suffered from Labour disputes in the final months of the year, was down to 12.8m tonnes.

Statistics show that imports of coal, both for coking and steam-raising, have risen from 2.3m tonnes in 1978 to 4.3m tonnes in 1979, a rise of 86 per cent. Power stations accounted for the bulk of the increase in Britain's use of coal. They burnt 8.2m more tonnes than in 1978, reflecting a switch from oil in response to higher oil prices and Government policy to reduce dependence on it.

The statistics also show that in the three months from September to November 1979, Britain's energy consumption rose by 3.4 per cent compared with the same period in 1978. Coal consumption accounted for most of the increase. On a seasonally adjusted and temperature-corrected basis, the rise was only 0.3 per cent.

Britain's oil production during this period rose by nearly 36 per cent on the same three months of 1978, while the supply of natural gas to the public supply system rose 9.2 per cent in 1979, to 17.3bn therms.

Second Gatwick terminal 'essential for the nation'

A SECOND passenger terminal at Gatwick Airport is essential for the proper provision of an efficient airport system to serve the London area and the nation generally, the chairman of the British Airports Authority told a public inquiry at Crawley yesterday.

Mr. Norman Payne described Gatwick as one of the fastest growing major international airports in the world and added: "This trend is forecast to continue in the 1980s."

He was giving evidence on the third day of the inquiry into the BAA's plans for a second terminal and expansion of the cargo-maintenance area at Gatwick.

Opening the case for the BAA, Lord Silsoe, QC, said a second terminal was needed to meet expected growth in air traffic and would increase the airport's

capacity from 16m to 25m passengers a year.

Surrey, West Sussex and East Sussex County Councils, and amenity and conservation bodies are objecting to the proposals. Mr. Payne said the BAA shared the Government's view that a significant transfer of scheduled air services from Heathrow to Gatwick was essential if an efficient and acceptable service were to be provided at the London airports for airlines and their passengers.

It was encouraging airlines to transfer, with landing fees at Gatwick about 40 per cent lower than at Heathrow. This disparity would increase.

Mr. Payne said: "Despite the removal of government directives to airlines, I am confident that certain of them will wish to voluntarily transfer some of their operations to Gatwick."

Doctors oppose Corrie

BY ROBIN PAULEY

ABOUT two-thirds of Britain's professors of obstetrics and gynaecology are protesting against the proposed Corrie amendment to the Abortion Act.

A letter in today's *Lancet* by 72 doctors, led by Dame Josephine Barnes, president of the British Medical Association, warns of danger of septic abortions becoming "the scourge of the country" again if the amendment is passed.

The doctors would accept a reduction in time limit for abortions to 24 weeks, but say 20 weeks is too early.

The abuses of the Act had been eliminated. The Corrie amendment would reduce abortions by two-thirds and destroy charities running advice services.

Signatories include Prof. Sir Douglas Black, president of the Royal College of Physicians, and the presidents of four other royal colleges.

Rise in number of bankruptcies

THE NUMBER of company bankruptcies in the UK rose significantly in the final quarter of 1979 to the highest level for the 12 months, with company liquidations also on the increase.

But, for the full year, both bankruptcies and company liquidations were down, according to the latest figures from the Department of Trade. There

was a 13 per cent drop in liquidations at 4,432, the lowest figure since 1974.

The bankruptcy total declined last year by a tenth to 3,498—less than half of the totals recorded for both 1975 and 1976.

In the fourth quarter, liquidations rose from 1,960 in the previous three months to 1,182, seasonally adjusted, while the bankruptcy total shot up from 802 to 944.

Double Britain's trees, timber growers told

BY LISA WOOD

THE need for Britain to double its acreage of trees during the next 50 years was stressed yesterday at the annual meeting of the Timber Growers' Organisation in London.

At present about 4m acres of the country are afforested. In 1978 the UK produced about 10 per cent of its total consumption of softwoods. In the same year wood and wood products worth £2.54bn were imported.

Mr. Brian Howell, a member of the organisation's executive committee, said: "Even if we double our acreage of trees to 16 per cent of the country we are still well below the present general European level of 21 per cent afforested land."

He said there were serious problems in acquiring more land for woodland. There was a lack of land coming on to the market, and also opposition from farmers, conservationists and ramblers to more land being used for trees.

Mr. Howell said that his organisation supported the conservationist lobby in that it agreed that paper and associated products should be recycled. "But we still need to grow twice as much," he added.

The problem of oak wilt disease was also discussed. Mr. Michael Harley, the president, said every effort must be made to prevent sawn oak timber from the U.S. bringing the disease to Britain.

Oak wilt disease is now affecting 21 American states. Millions of oaks have been covered with the fungus which kills within a year.

Regulations covering imports of timber have been tightened up since the spread of Dutch Elm disease. Port authorities have to check imports and the timber has to be barkless and chemically treated to kill beetles and dormant disease.

Ulster 'poorest region in UK'

BY OUR BELFAST CORRESPONDENT

NEARLY 70 per cent of those interviewed in a Belfast household survey are living below the poverty line according to a report on poverty and the social security system in Northern Ireland published yesterday.

The report, based on a survey of 1,000 homes in Belfast, concludes that Northern Ireland is the poorest region in the UK. It lists the ageing population of the city, unemployment, sickness, low wages and single parenthood as the main contributory factors.

The Belfast Welfare Rights project took 14 months to prepare the report which was

jointly financed by the Northern Ireland department of health and social services and the EEC as part of the European Social Action Programme.

A major conclusion is that the UK's social security system penalises Northern Ireland the most. The system's weakest points — provision for the unemployed, families and fuel — are exactly the points where Northern Ireland households are in most difficulty because of lower wages, higher prices, more unemployment and slightly bigger families, it says.

"Poverty in the region cannot be dealt with without changes in the UK system as a whole and Northern Ireland MPs must press for such changes," says the report. "unco-ordinated structure" of debt collecting in the province was causing growing hardship.

"It makes no sense to exclude people from rebates and discounts if they are in arrears and cannot afford to enter into voluntary agreements to pay them off."

To prevent the debt growing the report suggests the introduction of the comprehensive fuel benefit advocated by the British Supplementary Benefits Commission. It also proposes a new body in Northern Ireland with wide powers to handle arrears.

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UK NEWS

Throw SDLP out of talks, says MP

BY STEWART DALRY

THE ACRIMONIOUS verbal exchanges between Unionists and Catholic party leaders, which have gone on around the constitutional talks on Northern Ireland for the past few days, continued yesterday, with the Rev. Robert Bradford, Official Unionist MP for South Belfast, calling for the main Catholic party, the SDLP, to be thrown out of the second set of parallel talks.

These, unlike the main conference, are aimed at discussing questions of security and the Irish dimension.

Mr. Bradford made his demand because of remarks attributed to the SDLP leaders which cast aspersions on the impartiality of the Ulster Defence Regiment (UDR).

The Official Unionists, which, with five Westminster MPs, is the largest Unionist party, has declined to attend either the primary conference which aims to find a way of restoring political structures to Northern Ireland or the second set of talks.

So far, only the SDLP is attending the parallel talks which started on Wednesday. Questions of security came up and it seems that after the talks some SDLP members said they did not think the UDR was an impartial force.

The UDR regiment is about 9,000 strong with around 2,000 full-time members. It is mostly made up of Protestants. However, it has taken heavy casualties as UDR men have become prime targets of Provisional IRA gunmen. Mr. Bradford said he did not think that any British politician should accept criticism of the UDR, given the regiment's record of casualties.

Government policies unlikely to cut inflation—report

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CURRENT Government policy has little chance of succeeding in reducing the rate of inflation and in promoting growth in the UK over the next five years, the Economist Intelligence Unit argues in its latest medium-term assessment published today.

The report, entitled *The UK Economy in the 1980s*, suggests that, if present policies continue, the rate of growth of total output will be only 0.6 per cent a year between 1979 and 1984, the current account will be in small deficit, unemployment will have risen to more than 24m and the inflation rate will be 8.1 per cent by the end of 1985.

The Economist Intelligence Unit argues that this outlook is far worse than the gloomy views recently presented by Treasury Ministers and it is likely to be more than offset the incentives effects of the Government's "supply side" policies aimed at boosting incentives.

This analysis is based on the use of the Treasury's forecasting model of the economy which is available to outsiders and now includes a detailed monetary sector.

The gloomy conclusions of the report are broadly in line with other medium-term assessments recently produced by conventional macro-economic forecasting techniques, for example by stockbroking analysts. This degree of pessimism is not shared by economists who question traditional income and output equations, and place more emphasis on monetary relationships.

The report examines two alternative policy approaches—another direct attempt at con-

trolling wage inflation and a policy of import controls on manufactured goods.

The Economist Intelligence Unit believes that some form of incomes restraint is the most likely outcome. "This would allow the Government a low inflation, tax-cutting run-up to the next election. However, if the incomes policy breaks down, as past experience suggests is probable, then the UK economy will not have benefited at all from the new Government's policies and the years after 1984 look even more difficult."

The report claims that "a policy of import controls could bring sustainable long-term benefits by protecting UK industry from foreign competition and by allowing reasonable growth without all the inflationary consequences of devaluation. There is, of course, the danger of retaliation and the particular problems relating to UK membership of the EEC. However, if foreign goods continue to penetrate the home market at the rates experienced recently, then import controls may indeed be the only way of preserving domestic manufacturing industry."

Other economists would disagree strongly with this analysis and argue that general import controls would have a significant adverse impact on the inflation rate and would hold back attempts to increase industrial efficiency.

"The UK Economy in the 1980s" published by the Economist Intelligence Unit, 27, St. James's Place, London SW1A 1NT, price £250.

New plans for British Caledonian

By Michael Dorn, Aerospace Correspondent

BRITISH CALEDONIAN has asked the Civil Aviation Authority for five more routes between Gatwick and the U.S.

The routes are to Minneapolis/St. Paul, San Juan (Puerto Rico), Miami, Orlando and Tampa.

The airline says it will introduce cheap fares on all the routes, if it is given the licences.

Mr. Alastair Pugh, managing director, says that British Caledonian expects Miami to be upgraded to "dual designation" status—served by two airlines from each country—as a result of a review of the Anglo-U.S. Bermuda Two air agreement.

The airline also believes that San Juan and Orlando will be designated as new gateways to the U.S. from the UK.

The U.S. Civil Aeronautics Board has already said it intends to make Minneapolis/St. Paul a gateway on the U.S. side "and B.Cal is bidding for a licence to operate the British reciprocal route."

Mr. Pugh said that British Caledonian would offer fares up to 60 per cent less than current economy-class levels, as it does on its route to Houston.

The airline is also planning a new service to Atlanta, Georgia, in June, and services to Dallas/Fort Worth. It also has rights from the UK to fly to St. Louis and Denver, but permission to operate these services is still awaited from the U.S.

British Caledonian has introduced a cheap £49.50 return fare on a restricted number of flights between Gatwick and Brussels, Amsterdam and Rotterdam. Return travel may not be made before midnight on the Saturday following the day of outward departure. The new rate is about half the normal economy-class fare.

Customs work hit by staff shortages

BY ROBIN PAULEY

STAFF SHORTAGES and recruitment difficulties during the 1978-79 financial year meant that Customs and Excise departments had difficulty in meeting all demands placed upon it. Recruitment of executive staff was particularly difficult and, according to the department's report for the year, published yesterday, 25 per cent of resignations in that grade were from computer staff who took up commercial computer appointments. This inhibited the extension of computer services and restricted the introduction of changes to existing systems.

The department had a staff of 28,870 at the end of the financial year. The current drive for Civil Service expenditure cuts may lead to a reduction in staff and in some less essential tasks. This might mean fewer checks on VAT centres and on some forms.

One result for traders has been that processing of forms has been slower. The department said yesterday that traders should try to give early notice of requests for any Customs and Excise facilities required.

Customs and Excise receipts for the year increased by 12.1 per cent to £13.8bn, which represents 35.4 per cent of central Government taxation. The cost of Customs and Excise administration was £219.6m or 1.59p for every £1 of net revenue.

The revenue from value added tax in 1978-79 was £4.8bn, an increase of 14.2 per cent. This reflected growth in real consumer expenditure and the increase in the overall level of prices. In September last year 1,292,500 people were registered for VAT.

Car tax

Receipts from car tax increased by £94.8m to £30.6m.

CUSTOMS AND EXCISE REVENUE £m	
1978-79	1977-78
Value added tax	4,875.3
Hydrocarbon oil	2,469.4
Tobacco products	2,449.4
Alcoholic drink	2,338.5
Customs duties	734.1
Car tax	380.6
Betting and gaming	138.4
EEC agricultural levies	230.3
Other	8.9
Total	13,789.3
Less shipbuilders' relief*	9.1
Net total receipts	13,780.2

* Payable to UK Shipbuilders for certain ships and all rigs constructed and delivered under contract. It represents a refund of some indirect taxes which enter into construction costs.

indicating the increased demand for new cars. Fuel tax revenue was £2.5bn, about the same as the previous year. Consumption increased—petrol by 5.2 per cent, diesel by 3 per cent and rebatable oil by 2 per cent. The previous year's figures were boosted by an increase of 5p per gallon on petrol from March until August 1977.

Revenue from tobacco rose 19 per cent to £2.5bn. The report says there has been an underlying increase in the use of tobacco.

Duties on alcohol raised £2.5bn, an increase of 13.4 per cent. The income from beer duty was unchanged but receipts from wine rose by 15.3 per cent and from spirits by 25.3 per cent, resulting partly

from the increase in real personal disposable income.

Exports of whisky rose by 5 per cent to 100.3m proof gallons, a third of it going to the U.S. and West Germany the next largest customers.

Betting and gaming produced duties of £335.8m, a rise of 5.6 per cent.

The number of drugs seizures increased by 200 on the previous year to 1,749. Seizures of heroin were up by 260 per cent to 61.7 kg. Seizures of cocaine were up by 150 per cent to 27.2 kg.

House purchase study 'gives new incentive'

BY LORNE EARLING

The Government working party now looking into the provision of house purchase finance, should provide an incentive for extending the sources of mortgage funding, Mr. Ronald King, president of the Housebuilders' Federation, said yesterday.

Mr. King, speaking in Birmingham, said he hoped the report would offer more new ideas about mortgage funding, and that he approved of the recently published Stowe report from the Building Societies' Association.

Its recommendation for an early introduction of a "market clearing rate" competitive with the rest of the money markets, could ensure that in future mortgages would be available

on demand as they currently were in the U.S., Canada, and other countries.

Mr. King also welcomed suggestions made in the Stowe report for new forms of fund raising by societies, such as certificates of deposit, marketable bonds, and wider differentials on term shares and large loans.

Current mortgage problems were being exaggerated. Longer-term prospects were by no means as gloomy as they were being painted.

Despite inadequate net receipts to sustain the underlying strong demand for new private houses, some 60,000 new mortgages per month were being advanced by building societies.

More strike cover is sought by shipowners

By William Hall, Shipping Correspondent

THE NUMBER of shipowners seeking insurance against strikes at ports around the world has increased sharply. In 1978-79, shipping tonnage insured against strikes by The Strike Club, the world's largest mutual strike insurance association, jumped by nearly a third to 30.1m gross registered tons.

Strikes can affect shipowners in at least three ways. Ships can be confined to port because of a stevedoring dispute or prevented from entering port after a strike because of congestion. Or the shipowners can be hit directly—when a ship's crew withdraws its labour.

The Strike Club, officially known as the Shipowners' Mutual Strike Insurance Association (Bermuda) Limited, was set up in 1957 to provide specialist insurance cover against strikes for shipping companies, mainly because the traditional insurance markets would not provide cover. In the past the Strike Club had been able to meet claims out of members' "initial" insurance premiums but last year it had to call for extra money to cover claims on two of its four classes of insurance. This reflected the worsening strike experience at the world's ports.

By far the worst country for strikes in 1978-79 was Australia, which accounted for nearly two-thirds of all claims. The next two countries, Iran, followed by the UK, together accounted for another 29 per cent of total claims.

The Australian disputes were, for the most part, short-lived. The most serious involved the Waterside Workers' Federation and arose from the renegotiation of their triennial working agreement.

Australia has now taken over from the U.S. as the country with the worst port strike record. Only once in the last 33 years, in 1974, has there not been a triennial strike of the East Coast Longshoremen of North America. But if the 1980 wage negotiations lead to a strike, the U.S. may resume its top place.

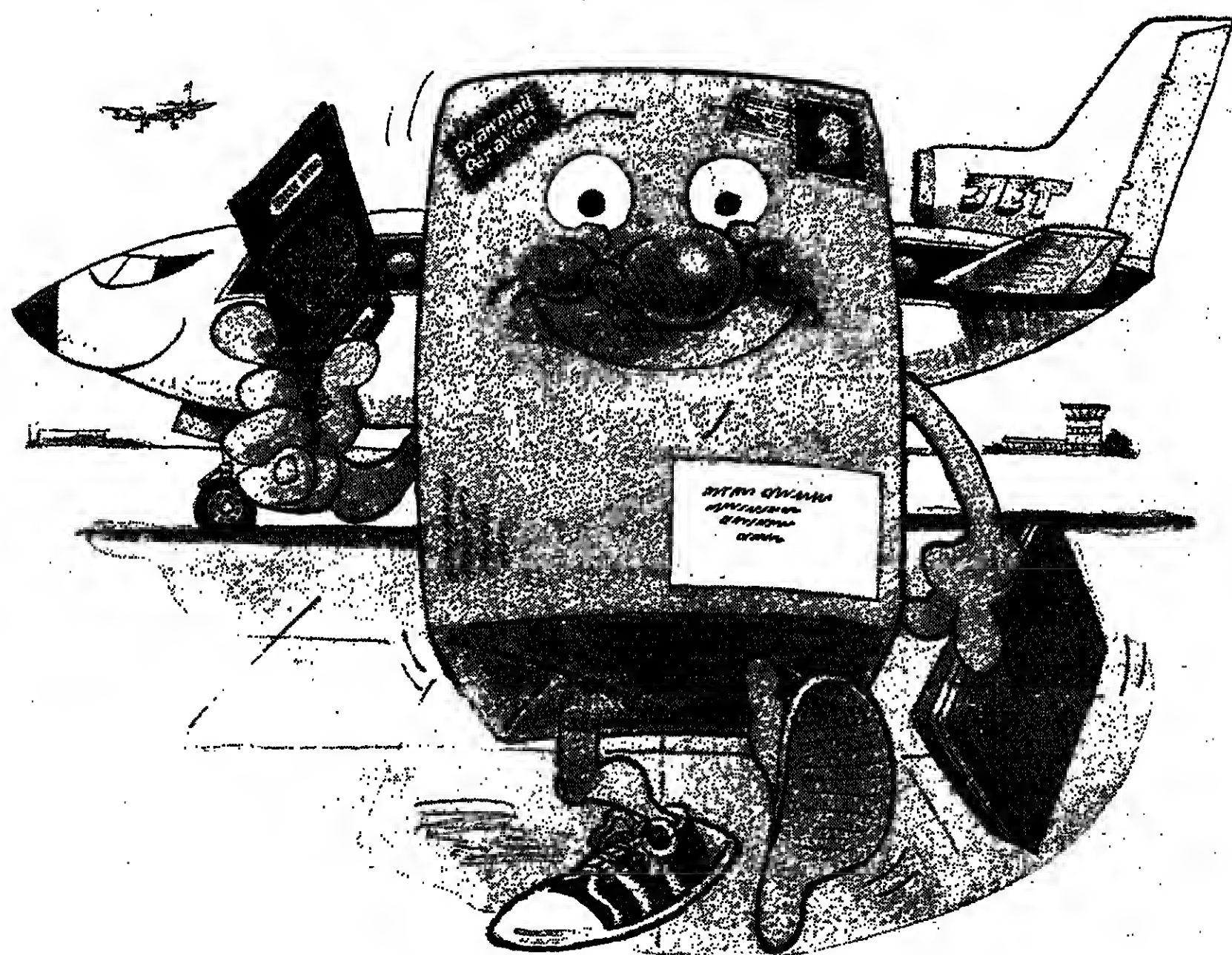
The most frequent and serious type of industrial action affecting shipping is strikes by stevedores—these accounted for 41 per cent last year.

Schools 'lag in technology'

By Michael Dixon, Education Correspondent

THE Government was accused yesterday by the second biggest teachers' union of shilly-shallying about preparing the education system for the repercussions of micro-electronics.

"The Department of Industry is vigorously pressing the importance of micro-electronics while the Department of Education is afflicted by total inertia," said the 120,000-member National Association of Schoolmasters and Union of Women Teachers, which said impending changes could reduce reference books to the "status of primitive information facilities."



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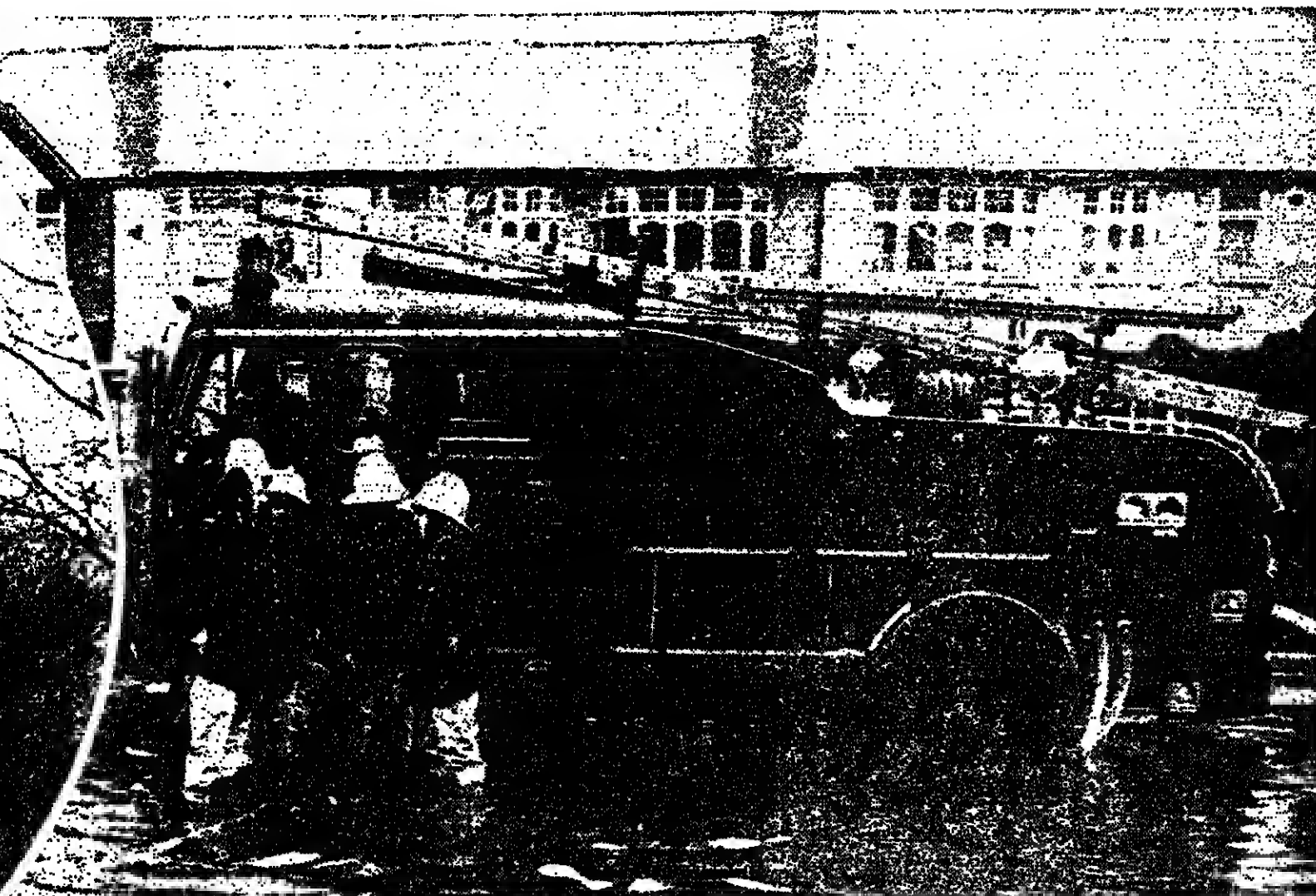
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CU
ASSURANCE

British Gas workers hold out for better offer

BY PHILIP BASSETT, LABOUR STAFF

GAS WORKERS have rejected a pay offer put by the British Gas Corporation at between 13 and 18 per cent, but which the unions involved claim is not worth more than 15 per cent.

Unions representing the 40,000 manual workers in the industry took away details of the offer for further consideration after it was tabled by the corporation last month.

Increases were proposed on basic rates, ranging from £7.65 a week for labourers to £11.37 for craftsmen, and on stand-by payments, as were improvements in holiday entitlements.

The General and Municipal Workers' Union, which represents most manual workers in the industry, said yesterday, though, that after consultation with its members, the offer had been rejected.

Mr. John Edmunds, GMWU national industrial officer for the gas industry, said that the offer was unacceptable. "The union's position will be made clear to the corporation at resumed pay talks today."

The unions will press the corporation further today on their claim for a reduction in the working week, but the corporation made it plain when it made the original offer that it was not prepared to consider shorter hours.

Apart from an improvement in the overall offer, union negotiators feel that the corporation will move on regional bonus schemes.

The gasworkers' rejection will have a direct bearing on talks for another public sector group, the 33,000 manual workers in the water supply and sewerage industry, which also resume today. Central to the water workers' claim is a study comparing their pay to that in the gas and electricity supply industries.

The size of the rejected gasworkers' offer had already fuelled water negotiators' determination to improve upon the water authorities' offer of 13.1 per cent.

The authorities increased that offer on Monday to about 17 per cent by adding a further £2.50 a week. Union negotiators have not accepted the offer, though it was enough to take much of the heat out of any immediate threats of damaging strike action.

Metal Box to lay off workers

BY MAURICE SAMUELSON

THE METAL BOX can-making company will begin laying off workers at factories in its open-top division next week, because stocks of tin-plate have fallen to a critically low level due to the steel industry strike.

At the Neath factory, in West Glamorgan, which manufactures can ends, about 1,000 workers with less than 15 years' service will be laid off from Monday. The works has received no processed steel or aluminium for the past four weeks.

Metal Box said yesterday that it had received no supplies of tinplate since before Christmas. The effects of secondary picketing at Neath further hampered the company's ability to produce cans. It was therefore offering all employees the opportunity of taking a week of their normal holiday entitlement before lay-offs were implemented.

The announcement could lead to a heightening of tension between the Neath plant's workers and pickets. The plant's trade union council said it would send drivers across the picket line with lorries carrying finished products.

This follows failure to gain dispensation for the drivers despite a three-day temporary exemption last week granted by Mr. George Wright, Welsh regional secretary of the Transport and General Workers' Union.

Metal Box supplies 70 per cent of the cans used in the British food market. Each year

it produces about 4bn cans for the food trade and 2bn for drinks.

According to the Food Manufacturers' Federation, however, there are enough supplies of cans to keep tinned food stocks at present levels for about a month. Mr. Barry Williams, deputy director general, said: "As far as the housewife is concerned there are plenty of products available. The only problem might arise when the strike is over, with the delays in getting production going again."

Huntz, which relies on Metal Box for half its cans, said it was looking at the situation carefully "but so far everything is well."

The first lay-offs have been reported in the clay refractories industry which makes high-temperature bricks for steel furnace linings. A few companies have also introduced short-time working.

Among some private steel producers, Lord Denning's Appeal Court ruling in their favour produced only short-lived relief. Dunford Hadfields of Sheffield yesterday said it was dismayed by the prediction of Sir Charles Villiers, ESC's chairman, that the dispute was likely to last for "weeks rather than days."

Nevertheless, about 80 per cent of the 15,000 ISTC members in the private steel industry were back at work last night, in compliance with Lord Denning's Appeal Court ruling. Most of the other 2,000 were in the Midlands.

Picketing was generally more peaceful yesterday than earlier in the week, although five pickets were arrested after scuffles with police at the partly State-owned Temple-hornough works, Rotherham.

More than 300 flying pickets from Corby, Northants, converged on factories in towns throughout the Midlands yesterday to prevent movement of private steel. Pickets also returned to the Sheerness, Kent, steel factory in defiance of the ISTC's instruction to leave private factories alone.

Dearer steel threat worries users

BY ROY HODSON

MAJOR steel users in Britain are worried that the price of British Steel Corporation products—already up to 15 per cent above rolling European prices—could be forced up even further to pay for a settlement with the steel unions.

Sir Richard Marsh, chairman of the British Iron and Steel Consumers' Council, said yesterday after a council meeting: "There is no room for increases in British Steel prices at present. British Steel recognises this. It is to be hoped that everyone else involved in the steel dispute does so, too."

The big steel-using industries want the British Steel Corporation to continue to be a sufficiently large and wide-ranging organisation to cater for British industry's needs without a permanently higher level of steel imports.

Sir Richard said yesterday that there must be no cut in British Steel's already much reduced investment programme as a result of any settlement of the dispute. He quoted the current investment in the continuous casting of bulk liquid steel as an example of the sort of modern technology that the corporation must continue to develop.

Sir Richard warned that any increase in British Steel prices on the home market would lead to a further loss in market share by the British and ultimately more job losses.

The senior managers of British Steel are already considering the best strategy to be adopted to revive the corporation's business after the strike is over.

They would like to be able to cut prices on some products and hold prices on others to win back business.

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Engineers and managers' union settles with TUC

A HIGH COURT action brought by the Engineers and Managers Association over its threatened expulsion from the TUC for refusing to accept a ruling in an inter-union recruiting dispute was discontinued yesterday.

Mr. Justice Foster approved terms agreed between the EMA and the TUC and released them from cross-understandings given to the court in November, 1977. Each side will pay its own costs.

The association, which has 45,000 members, mainly in the electricity supply industry, had sought a declaration that a representation decision by a TUC disputes committee in March, 1977, was unlawful and void.

The TUC had threatened to expel the association for "refusal or failure" to comply with the decision, which was in favour of TASS, the white collar section of the Amalgamated Union of Engineering Workers. The dispute arose out of association's moves to recruit members at GEC Reactor Equipment.

In November, 1977, the TUC gave an undertaking not to suspend the association from membership, or impose any other penalty, pending the hearing of the association's action. The precise terms under which the action was discontinued were not disclosed in court.

APEX backs plans for Labour Party reform

APEX, one of the largest white-collar unions affiliated to the Labour Party and a major contributor to party funds, yesterday supported many reforms for which MPs are expected to press in their evidence to the Party's commission of inquiry.

The union, which has 29 Labour MPs among its members, and two on its executive, called for a major restructuring of the constituency party organisation—which would virtually amount to the introduction of a primary system for the selection of candidates—and a radical reform of the NEC itself. It also urged the commission to examine evidence on the activities of the Trotskyist group, Militant Tendency.

The executive, which moderates MPs in the Parliamentary Labour Party also believed should be reformed, should be enlarged and divided into three categories, APEX argues. One third of the seats would go to the trade unions, and one third to regionally elected lay activists. The remaining third would go to MPs elected by the Parliamentary Labour Party, rather than by the party's annual conference. This would give the Parliamentary party a much more direct say in the affairs of the executive.

The union claims that "entryism" constitutes a major challenge to the credibility of the party.

Airfix 'will not move toy production abroad'

BY GARETH GRIFFITHS, LABOUR STAFF

AIRFIX INDUSTRIES last night assured union negotiators for the Meccano workforce in Liverpool that it will not transfer toy production abroad.

A joint union-management working party holds its first meeting in Liverpool on Tuesday. The working party has the task of trying to find a buyer for the Meccano factory before the end of the month.

Mrs. Pat Turner, General and Municipal Workers' Union national officer, said talks between the unions and Airfix management in London yesterday had firming up an agreement on the role of the working party. There had also

been an improved offer on redundancy payments. She said the company dismissed suggestions that it was trying to transfer production abroad.

Airfix had offered three months' pay as a lump sum and a £150 top-up payment for workers with more than 15 years' service at the plant. The top-up has been increased and the new figure will be revealed at a mass meeting of the 940 workers on Monday called to discuss the revised redundancy payments.

Meccano management is now being allowed into the factory after a two-month occupation by the workforce.

Kent power station work may be wound down

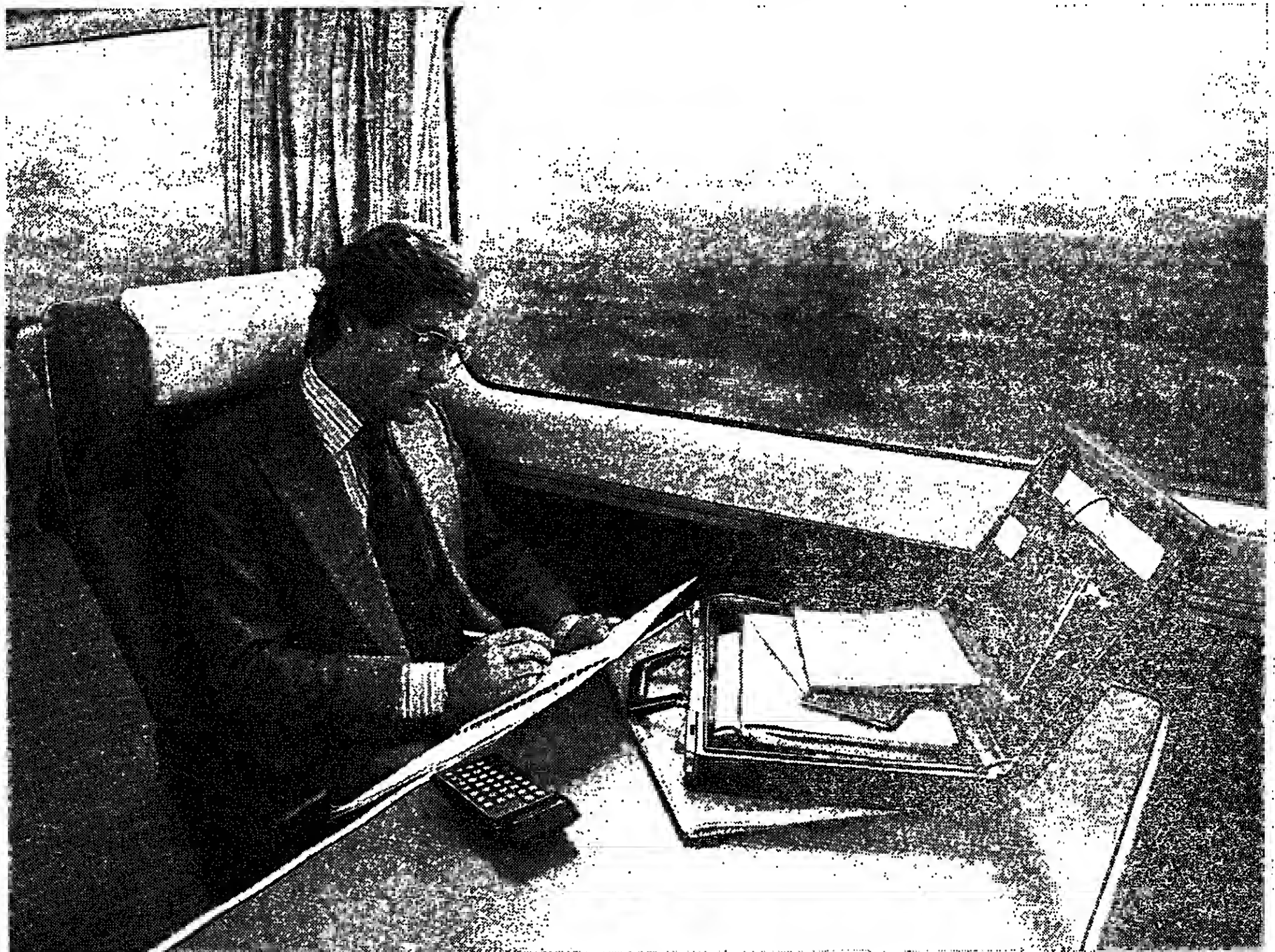
BY OUR LABOUR STAFF

THE CENTRAL Electricity Generating Board is to decide during the next week whether to order work to be wound down at the £560m Isle of Grain, Kent, power station.

The joint shop stewards' committee at Grain, in the Thames Estuary, has denied CEBG claims of wage leaping at the site which employs 1,600 manual workers. A statement yesterday said the bonus rates paid to ladders, who insulate pipes and boilers, had not been taken as a pace-setter by the other workers.

Mr. Donald Parvin, a Boiler-makers' Society shop steward and spokesman for the committee, said the lack of a joint liaison committee at the site had adversely affected industrial relations. Unions were now prepared to work with ladders who were non-members of the General and Municipal Workers' Union.

Mr. Frank Earl, GMWU national officer said yesterday the 27 ladders at the Isle of Grain site had not gone on strike at the site but instead had been laid off.



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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

John Moore in London, and David Lascelles in New York, report on the background to Marsh and McLennan's bid for C. T. Bowring

The American foot in Lloyd's door

A s hundreds of guests arrived on board HMS Belfast on the River Thames last July, a serious domestic drama was being played out behind the scenes between their joint hosts, C. T. Bowring and Co. and Marsh and McLennan of the U.S., two of the world's most important insurance brokers.

The guests had been invited to a lunch by Bowring and Marsh to mark their joint participation in sponsoring some of the effort for the Transglobe Expedition, headed by Sir Ranulph Twissleton-Wykeham-Fiennes. It seemed to be the only outward sign that the two insurance brokers were indeed attempting to accomplish a link-up.

Breakdown

Barely six weeks earlier it had become apparent that a planned profit-sharing link-up of the two groups was not going to work because of the cumbersome tax, regulatory and legal problems—although discussions had been in progress for nearly a year.

When the plans for a profit-sharing arrangement were abandoned at the end of May last year, discussions continued: a number of possible structures for a formal transaction, including that of a merger, or a limited merger, with Marsh of Bowring's insurance broking interests were examined.

The breakdown of the talks shortly before Christmas prompted Marsh to come forward with its £237m bid which is now being so fiercely resisted by Bowring.

The issue is simple: Marsh wants to run Bowring and has the muscle to do so. Bowring, for its part, is even prepared to put at risk a 73-year-old business relationship with Marsh to remain independent and retain its identity. This could be some sacrifice for Marsh, produces up to a fifth of Bowring's insurance broking volumes.

The collision of Marsh, the world's largest insurance broker, with C. T. Bowring was almost inevitable and owes much to the differences in temperament of the two groups' managements.

Bowring began as a family concern in 1903 when Benjamin Bowring opened a shop in Exeter as a watchmaker, silver-smith, jeweller and engraver. The group has tried to cultivate and sustain its cosy family image ever since, although Bowring's family interests probably only represent around 11 per cent of the shares.

The founder later moved to Newfoundland, and stayed a

ship's chandlers, which later led to other trading activities. Bowring bought ships and later set up a firm of insurance brokers to handle the insurance of the ships and their cargoes. By the 1930s the group was once again based in England.

In 1964 Bowring obtained a public quotation on the London Stock Exchange. Pre-tax profits in 1964 were £2.16m. The group had a total staff of around 3,000. In the last reported financial year for 1978 Bowring declared pre-tax profits of £38.6m and the number on the payroll stood at 9,600.

Insurance broking has been Bowring's principal earner for years, although the group's activities encompass banking (Singer and Friedlander), credit finance (Bowmaker), shipping and engineering. The group also owns three insurance companies and has extensive underwriting interests at Lloyd's of London, the hub of the UK insurance establishment.

Bowring's insurance broking operations are much smaller than Marsh's; Marsh's earnings from broking commissions and fees are about treble that of Bowring's.

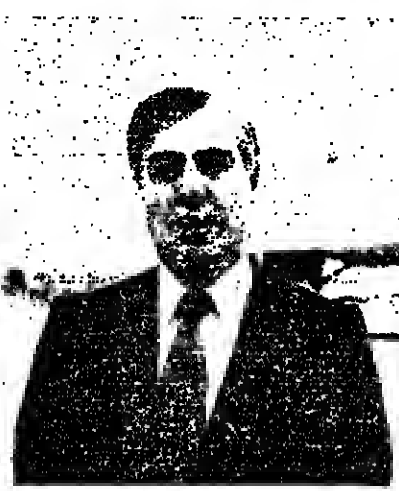
Against this disparity in the size of the two groups—Bowring ranks seventh in the world league of insurance brokers with Marsh in top place—run the various aspirations of the Bowring Board. Peter Bowring, 56, a descendant of the founder, chairs that Board, which has always been headed by a member of the Bowring family. He has progressed to the top of the group via general trading activities (which contributed £1.5m to total profits in 1978) and has held the position of chairman since May, 1978.

Autonomy

Group managing director is Gilbert Cooke, who had spent most of his career with Bowmaker, the credit finance company which was acquired by Bowring in 1969. Bowmaker contributed around £10.5m to profits in 1978. For Binney, 50, heads the insurance operations which contributed around £26m to profits in 1978. Binney started doing his National Service after joining the group as a clerk in 1950 in one of the insurance departments, and has steadily risen through the ranks. He is a member of the Lloyd's of London committee and was responsible for initiating the

relationship with Marsh and McLennan in June 1978. The remainder of the board is a mixture of family interests and representatives from the group's other activities. Each operating subsidiary has a large degree of autonomy and answers to the parent on such issues as resources, acquisitions or merger policies, and large items of capital expenditure.

The insurance interests on the board believe in the principle of establishing closer links with the U.S. market—where 50 per cent of the world's insurance premiums are generated—through a formal relationship with a large U.S. broker. The representatives from the group's non-insurance activities are distinctly cool towards a formal



John M. Regan Jr. (left): Heading the "megabroker" that originates one-tenth of all the business that reaches Lloyd's, and Peter Bowring: trying to sustain a cosy family image



MARSH & McLENNAN COMPANIES, INC.		1978	1977
Total insurance brokerage		325.8	289
Employee benefits consulting		95.4	85
Investment management		24.0	23.2
Other services		8.4	8.2
Interest income on fiduciary funds		21.4	72.7
Total operating revenue		475	418
Operating expenses:			
Compensation and employee benefits		125.1	205.5
Other operating expenses		110	97.3
Total operating expenses		345	302.8
Operating income		130	115.2
Total other income		18.2	12.2
Pre-tax profit		148	127.4
Provision for income taxes		79.8	71
Net income		68.2	56.4

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C. T. BOWRING'S PROFITS SOURCE		1978	1977
Insurance Broking		21.3	20
Insurance Underwriting and Lloyd's Agency		4.6	3.6
Credit Finance and Engineering		12.5	9.2
Banking		2.7	1.8
Trading, Shipping and Property		1.3	1.3
Group Central Services		(1.2)	(0.6)
Less Loan Stock Interest		40.3	35.4
Profit for the year		(2.6)	(2.7)
* Accounting basis changed.		38.4	32.8

to more than sentiment. It could raise a powerful political lobby to block the bid through a Monopolies Commission reference. And if Lloyd's wants to gain time while it sorts out its future attitude to the foreign ownership of a Lloyd's broker—as its rule limits ownership of Lloyd's brokers by outsiders to 30 per cent crumbles—it may be that Lloyd's will support Bowring behind the scenes. Publicly, of course, Lloyd's will attempt to do nothing which could possibly give any offence to Marsh and McLennan, its most important producer of business.

J.M.

Marsh and McLennan's latest annual report sports a glossy colour photo-portrait of its chairman, John M. Regan Jr., standing sternly, hands-in-pockets on the tarmac at Kennedy Airport with a British Airways Concorde taxiing past in the middle distance.

It is a fine study in the alliance of cool professionalism with high technology—just the image that Marsh likes to convey. But it also has something of the toughness and global reach that have made Marsh by far the largest insurance broker in the world today. In a business which consists mainly of small, tight-knit operations turning over a few million dollars a year, Marsh has revenues of over half a billion and is represented in some 60 countries. Its closest competitor is only two-thirds as big.

And such is the size of the U.S. insurance market that Marsh estimates it originates one-tenth of all the business that reaches Lloyd's of London, the world's most important insurance centre. Few people at Lloyd's dispute this claim, and even argue that the contribution is probably a lot higher.

This is the somewhat awesome "megabroker" now bidding £237m for C. T. Bowring, the UK financial services company which has large Lloyd's of

London brokerage interests. The deal is hotly contested; but few people familiar with Marsh and the determined men who run it expect the bid to fail unless the bid is stymied by the UK authorities. Indeed, Regan has spent many hours criss-crossing the Atlantic in Concorde in pursuit of his goal.

Aggressive

Despite its aggressive reputation, though, account for about 10 per cent of companies. This cost tag seems to have been chosen partly to draw its many subsidiaries together into one harmonious unit; but partly too, to emphasise the management structure in which the parent company is very much that: the leader and wielder of authority.

Based in a skyscraper in Manhattan's Rockefeller Centre, Marsh operates in three broad business areas: insurance services, employee benefits consulting (through its William M. Mercer subsidiary) and investment management (Eberstadt and Putnam). By far the largest segment is insurance services, which account for about two-thirds of revenue. But it is a measure of Marsh's size that William M. Mercer is also the world's largest employee benefits consulting organisation.

The insurance services are broken down into property/casualty, marine/aviation and reinsurance, the latter being handled by the company's subsidiary, Guy Carpenter.

Under the twin leadership of John Regan and Robert Newhouse, the president, Marsh has gone aggressively for growth in the 1970s, virtually doubling its revenues in the last five years. Part of this was achieved by expanding Marsh's business in the U.S. But, believing that the best prospects lie abroad, Marsh also steadily built up a large overseas network of affiliates and correspondents which now give it a presence in most countries of any importance.

Marsh's strategy has been, where possible, to go for joint ventures with local firms rather than build up its own business from scratch, a policy based on the view that a presence can be established more quickly and effectively that way, especially if the partner is a leader in the local field.

Britain, though, was different.

Marsh never established an operation of its own there despite London's importance. This was partly because Lloyd's rules make it hard for foreigners to participate directly in Lloyd's business. But another reason was the long-standing relationship that Marsh had built up with two London brokers, Sedgwick, Forbes and Bland Payne, through whom it channelled most of its considerable business.

But Marsh clearly resented its inability to get closer to Lloyd's. In the mid-1970s, Regan pointed increasingly to the incongruity of the U.S. and Marsh in particular, generating huge amounts of insurance and commissions for Lloyd's without being able to participate directly in the exchange.

It was against this background that Marsh started talking to Bowring about the possibility of a "business combination." The phrase was carefully chosen since it was clear that Marsh would have difficulty in taking over Bowring outright, given Lloyd's rule limiting outside ownership of its members to 20 per cent.

However, the talks began to sour, and several proposals foundered mainly, it is thought, over the question of who should control the proposed combination. Marsh offered to share top positions and even change its name to accommodate Bowring, but this cannot have concealed the fact that Marsh would end up as the dominant partner.

Frustration

Finally, to frustration. Marsh announced last December that it was considering a take-over.

On the face of it, this was surprising since Bowring was bound to put up a fight, and Lloyd's was for the moment likely to stick to its 20 per cent rule. However, the top men at Marsh had clearly considered the position carefully, and concluded that they could achieve their aim despite these obstacles.

There is always a danger that it will end up buying a company which has been deserted by its most valuable asset—people. But this danger, which Marsh could presumably make good with the help of fat salaries, would not offset the huge benefit to Marsh of finally gaining direct access to Lloyd's. As an experienced New York observer of Marsh put it: "Marsh is less interested in Bowring than in an entry ticket to Lloyd's."

D.L.

Technical News

EDITED BY ARTHUR BENNETT AND TET CONCEPTS

COMPONENTS

Controlled force from tiny unit

A SMALL thrust producing unit called Micropush, a combined miniature power valve and pneumatic cylinder, is able to produce a linear force of up to 7.8 kgf and can be switched by solid state electronics.

It consists of a 10 mm bore x 20 mm stroke single acting power cylinder integrally mounted with a three-way power valve. Overall dimensions are 15 x 15 x 96 mm.

The maximum force of 7.8 kgf is produced at the maximum operating pressure of 10 bar.

Actuators more reliable

USE OF pneumatic vane actuators in power operations of 4-turn applications (e.g. rotary valves) has presented designers with a devil and deep blue sea choice, says Hytork, 11 York Road, Gloucester (0452 418291).

Cost acceptable units tended to leak excessively, and precision sealed units were considered too expensive.

In order to combat this situation, the company has now introduced a new range of vane actuators which combine a rubber encapsulated cast

The company points out that to obtain this with a direct acting solenoid with an equivalent stroke would need a very bulky unit with high power consumption which would not be capable of rapid switching.

Micropush can be operated direct from semiconductor circuits and can cycle at up to 800 strokes/minute. Minimum operating pressure is two bar, when a force of 1.4 kgf is produced. The device takes 2.5 watts dc.

More from the makers, 25, Mitre Street, Buckingham, Bucks MK18 1DW (02802 43931).

METALWORKING

Machines both ends

ONE OF the machine tools that will become available from T.F. Brookes as the result of an agency agreement it has just finalised with Economy Machine Tool Corporation of Ohio is the model 53 double end finishing machine.

A fully automatic unit, it is chute loaded and can machine a point, mill a hollow, chamfer or ream both ends of cylindrical workpieces. It can cycle at up to 4,800 times an hour and is actuated entirely with electrically interlocked hydraulics.

Single machining operations or combinations can be per-

formed on straight, round work blanks up to 38 mm solid or 70 mm outside diameter tubing. Minimum part length is 38 mm and the standard maximum length is 308 mm. Longer components can be accommodated at special request however.

This machine has two in line opposed tool spindles each controlled by a separate drive, either fixed or variable according to the application. Feed for each tool head is by two dials which give infinite variation by controlling flow to hydraulic cylinders.

More from Brookes Road, Oldbury, Warley, West Midlands B89 2DL (021-552 5311).

ENERGY

More miles and much cleaner engines

TWO OF the most emotive issues challenging man's intellectual resources today are energy conservation and environmental protection.

Following on from the conversion of any old rubbish into acceptable sources of fuel for industry is the present recapturing of a hitherto wasted by-product of oil—liquid petroleum gas.

This has to be burned off, quickly, from the oil, and has been dissipated into thin air... but now the OPEC countries may insist that we import quantities of this gas as part and parcel of our oil import commitment. Yet LPG can come into its own as a vital substitute (if not, eventually, a replacement) for petrol in running a fleet of vehicles for industry and, subsequently, the family four-seater.

A company which believes a motor-car can be run on the same fuel as that used in a throwaway cigarette lighter has built its reputation in the field of car air-conditioning (its yard is bulging with Rolls-Royces and standard up-market motors). Implementing the same code of scrupulous attention to engineering and service,

it offers a conversion package called Alpinair Autogas to those who can't afford the headache of rising oil prices but relish the opportunity to play cost-saving games for—at least—the next few years.

Cynical technology reporters and others are assured that it is not in the interest of this government (or any other) to slap a prohibitive tax on LPG, when the world's concern is with the exploration of alternative sources of fuel and, since the 1974 crisis, a transfer from oil to an acceptable substitute.

As oil prices rise, of course, so will those of LPG. At the moment, however, give or take a few pence, the latter is a modest 68 pence a gallon. Present estimate shows a transfer to gas promises a 100 per cent saving.

How is it done? First of all, vehicles will have to go through the mill in the yard at Alpinair, 174, Honeywell Lane, Stanmore, Middx. (01-204 9633)—although a number of regional depots are under way.

Installation usually takes less than one day to complete. Necessary components are a tank with a filling and drawing valve and built-in level gauge.

When the equipment is placed

within the engine compartment and the gas tank is usually situated within the vehicle's hood—or under the floor, depending on the type of vehicle.

When the switch from petrol to gas is effected there is hardly a hiccup... but there is the unquestionable (and unseen) benefit of no filthy exhaust. Lead deposits and other residues, such as carbon, are inherent in exhaust emissions from a petrol driven vehicle.

Virtually no maintenance is necessary—just a small annual service, says the company. Because a vehicle runs cleaner, its engine needs less servicing, there will be fewer oil changes and longer spark plug life.

Petrol filterers may well have had their day because Alpinair Autogas cannot be siphoned off and, with the fuel selection switch in the intermediate position, the vehicle cannot easily be started by a thief.

Prime consideration is the supply of fuel. The company hopes that soon all motorway service stations will be serving the Alpinair gas tank would seriously inhibit boot space. However, as time goes by, and oil prices inevitably rise, the long-distance private motorist will consider LPG as a viable alternative and this will surely determine the design of motorcars in this decade.

DEBORAH PICKERING

Autogas fuel is drawn from the tank in liquid form, pushed along the pipes by the pressure existing in the tank, and the liquid gas is intercepted first by an electrovalve where it is filtered and passed to a vaporiser (this also switches off the gas when the engine is not running and then the selector is turned off for petrol use only).

The gas is vaporised by warming it up by water taken from the engine cooling system, decompressed in various stages to the atmospheric pressure, and finally passed to the mixer in the exact quantity needed by the engine.

Fitted to the vaporiser is an electromagnetic control to facilitate the starting of the engine without petrol—especially on these frosty mornings. The mixer, connected to the vaporiser by a steel braided tube, mixes air with the gas in the right proportions just as the carburettor does for petrol.

Finally, the system has an electro magnetic valve placed between the fuel pump and the carburetor which intercepts the petrol and regulates the flow of petrol to the carburetor according to the fuel used.

All the equipment is placed

for the number of courses per inch. The system may also be used with lightweight woven fabrics when it is required to check the number of picks per inch, although it will obviously not be suitable for materials that are opaque.

The automatic course counter operates on a stroboscopic principle, projecting a beam of light through the moving fabric and showing this against a taper line grating which is viewed through an adjustable mirror. The flash rate will vary according to the speed at which the fabric is being processed and it can be adjusted very simply by the operative running the machine.

A series of different gratings are supplied so that different weights of cloth can be checked

link between the point of supply and use. Systems can be programmed to serve any number of receiving stations throughout a factory.

One Lamson executive states that "it is a strange fact" that computer makers themselves, working in such technically advanced systems, still use antiquated methods for component distribution.

More from the company at Harbour Road, Gosport, Hants (07017 87311).

Turns waste to fuel

A NEW development which converts common industrial waste to solid fuel, to be used by industry as an alternative to other energy sources for generating heat, steam and electricity, is announced by Leigh Interests, The Waste Management Centre, London Road, Brownhills, Walsall (Brownhills 5151).

First plant for Leigh Fuel has been commissioned by Polymeric Treatments (subsidiary of Leigh) at its Killamarsh works in north Derbyshire.

The company says that the Central Electricity Generating Board has already taken supplies for full scale burning trials with excellent results. The Killamarsh plant will make up to 50,000 tonnes of the fuel in the first year and plans to expand in the near future.

Tars, paints, heavy oil sludges—all presently thrown away on tip sites—can now be used to make the fuel. The process can also recover the energy potential in wastes produced from coal mining, such as colliery shale and coal washings, and even oil spills as sea washed up on beaches can be used for the fuel.

TEXTILES

Distortion of fabrics prevented

WHEN FINISHING and setting knitted fabrics there is a danger that the fabric will be distorted and set in a stretched condition so that it is effectively a lighter weight than intended. One way of obviating this problem is to ensure that the number of courses, or rows, of stitches are held to a specific count. If these are controlled to a set number of courses per cm or inch then the fabric should be consistent.

A system of automatically counting the courses during stenter drying, has been developed by Eitex Instruments (23, Higher Hillgate, Stockport, SK1 3ER. Tel. 061-477 3963). It

link between the point of supply and use. Systems can be programmed to serve any number of receiving stations throughout a factory.

One Lamson executive states that "it is a strange fact" that computer makers themselves, working in such technically advanced systems, still use antiquated methods for component distribution.

More from the company at Harbour Road, Gosport, Hants (07017 87311).

HANDLING

Distribution by air

ACCORDING TO D. D. Lamson, the company's system that is widely used for the transport of documents could equally well be applied to the transport of electronic components from stores to point of need in factories and workshops.

The system, called Circuit-Link could, says the company, save "thousands of pounds a year" for computer manufacturers and would involve the installation of a direct air tube

MATERIALS

Laminate plant

AGREEMENT has been reached in principle by General Automation and Matra S.A. on a joint venture to design and build a factory near Nantes, France for the production of high technology laminates that are used in printed circuit boards.

Capitalisation is over \$6m and General Automation's subsidiary Lamination Technology of Santa Ana, California, will be providing the technology and manufacturing knowledge to build and design the plant as well as marketing support to generate a European customer base.

General Automation's UK office is at 43 Windsor Road, Slough, Berks. (Slough 7233).

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EXHIBITIONS

Canada to show its capability

CANADA'S offshore capability will be emphasised at the Oceanology International 80 exhibition to be held at Brighton, Sussex, from March 3 to 7.

Eight Canadian companies and a government agency will join forces to show equipment ranging from submersibles and deep towed instruments to temperature and depth measuring systems, moored and drifting buoys.

With a 240,000 km coastline in diverse environments and the responsibility for 5.2m square kilometres of ocean Canada reckons it has a testing "ground" as good as, if not better than any other country.

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THE PROPERTY MARKET BY MICHAEL CASSELL

'Cosy' institutions still over-reacting

THE CONSERVATIVE approach of funding institutions towards property development is stifling the supply of badly needed investment property, according to Julian Markham, chairman of Glengate Properties.

Mr. Markham says there are signs everywhere that new development and refurbishment is required but that little real progress can be made "within the cosy guidelines of current institutional thinking."

In claiming that the institutions and their advisers exercise "unwelcome and heavy influence" on the entrepreneurial skills of developers, Mr. Markham says they routinely over-react to the last property crash and have become blinkered to the extent of considering "prime and nothing but prime" property.

The troubles of the mid-1970's, he adds, all but destroyed the traditional developer-institution relationship and while the reaction may have been logical and even reasonable the time has now come for a reappraisal.

He concedes that the institutions are themselves adopting the role of developers and that small development companies are being used by the funds as project managers but claims that "an incredibly successful British development record was not founded by following this secure but conservative trustee path."

Mr. Markham is in no doubt that the "imagination and flair" which created the last boom is still there to be tapped and that sound developers who understand the requirements of the institutions can, given the chance, provide a fresh supply of investment property.

"Contrary to the swingeing conditions imposed as a prerequisite in real estate investment, the institutions are now laudably backing small nursery unit factories and backing venture capital ideas. Why not return to the proven successful partnership of backing the creative developers which had provided the institutions with the bulk of investment property for the last 25 years and more?"

It is worth remembering, however, that few developers have, until recently, been in any position to contemplate the fresh bout of activity which Mr. Markham calls for. While many funds are now acting directly as their own developers, there are enough partnerships around to suggest that the type of relationship he mentions will continue to play a role in the development world. There are, on the other hand, few signs of any impending redefinition of "prime," which would presumably open the door of opportunity just a little wider for all those entrepreneurial skills.

The last period of entrepreneurial flair led to a crash as well as a boom.

Rowe & Pitman fills the gap

IN A MOVE which is certain to raise a few eyebrows around the offices of many leading chartered surveyors and estate agents, City brokers Rowe and Pitman are establishing a commercial and industrial property investment service for institutions and other clients.

The new operation, to be known as Rowe and Pitman Property Services, is to be headed by Robert Houston, who has been brought in from Richard Ellis's investment department and who for some years was portfolio manager to Electricity Supply Nominees.

Behind the move is a wish on the part of Rowe and Pitman to fill the fairly obvious gap in an institutional broking service which already extends to UK equities, gilts and overseas securities. It acknowledges the growing volume of institutional funds now going directly into property and the firm's clear intention is to take a share of the fee business which until now it has had to pass on elsewhere.

There have been whispers about such a move on the part of one or more City broking operations for some time. With the main merchant banks already providing property investment advice—to the extent that they now employ chartered surveyors—it was only a matter of time before the thinking fraternity left the sidelines and had a go in the marketplace.

The Rowe and Pitman venture is the culmination of more than

30 years' experience in the property share market and the firm claims to have been supported in its plans by more than one agent on the grounds that when a conflict of interest forces them to pass on potential investment clients they find it hard to elect suitable candidates.

Mr. Houston says that he will soon be taking on additional chartered surveyors and plans to build up investment agency, portfolio management and surveying activities before moving on into other areas.

Investment support

"The intention is to support the investment advice we give and obtain experience in commercial lettings and project management. In the fullness of time we wish to provide the growing volume of institutional funds normally expected from investment-surveying practices, but at first we will be concentrating on buying and selling."

Mr. Houston says that the new firm does not yet have any clients lined up and is not looking for overnight success. "It is very early days and if we do one or two deals in the first year then we shall be pleased. We hope to be on the road by June, although we still have to arrange office space for ourselves."

According to Mr. Peter Hardy, who heads the property company - research share research and investment department at Rowe & Pitman and who is also a board member of the new subsidiary, a

prime target for business will be the medium-sized pension funds, (up to around £50m) many of which are relatively new and which may still be in the process of seeking investment advisory services.

"We regard the move as a natural and logical extension to our existing business. Only three weeks ago we were asked by a group to manage their properties and we had to refuse because we were not ready. We hope before too long to be in a position to give a different response to that type of proposition."

Under the existing rules of the Royal Institute of Chartered Surveyors, Rowe & Pitman will not be eligible to become members but it intends to adhere to its rules and to its commission structure. The firm accepts that it could be several years before it becomes profitable.

Hardly surprisingly, the firm's confidence that its substantial expertise in some aspects of property will provide it with an excellent base for the new venture, is not being fully shared by the big agents' investment men.

The reaction from most was simply that to offer advice on property in relation to other forms of investment was one matter but to go into the market place, locate properties, vendors or purchasers and advise on the price to pay or not to pay was altogether another matter. Some agents believe the

going for Rowe and Pitman could be tough. A senior partner in one firm commented: "The major problem will be finding any worthwhile investment propositions. First of all, they will be offered all the rubbish which no one wants. When they start to go for the good property, contacts will be essential and while they might know a lot about property they can't know much about the market."

Another investment specialist added: "Most large institutions already seek their advice from retained consultants and although there may be some funds around who do not, Rowe and Pitman will need to have established a record of serious and efficient buying before they pick up much business like that."

Expertise

"Most established surveyors have taken years to build up specialist expertise in all aspects of the property market and knowledge of one area is just not enough."

Rowe and Pitman's reply to such criticism comes from Mr. Alan Hurst-Brown, senior partner of the firm. "After 30 years in the property share market we have built up not only a great deal of knowledge but many contacts. We are also in the process of drafting in people who will provide knowledge in those areas where it is lacking."

First stage in the race for Surrey Docks scheme

THE GREATER LONDON COUNCIL and Southwark Council yesterday began the job of sifting through proposals for the redevelopment of 140 acres of derelict land at Surrey Docks.

Around 15 detailed plans had been submitted when the deadline for entries set by the two authorities closed yesterday. The work of compiling a short list has already begun and by the end of this month the original list of schemes is likely to have been cut in half.

Developers still in the race will then be asked to elaborate on their original plans and details of the necessary financial package to support the schemes will also be required. So far only Taylor Woodrow has publicised its proposals for Surrey Docks while other contenders have preferred to keep both their identities and their plans under wraps.

However, it is understood that Trammell Crow, the American-owned trade mart specialists, are attempting to revive plans for the site which fell through early last year when the group failed to get Government financial support for the scheme.

Another proposal has come from an unidentified consortium which involves architects Richard Seifert and includes a 540,000 sq ft Brent Cross-style shopping complex, 320,000 sq ft of offices, an industrial park, a 300 bedroom hotel and the possible provision of a monorail system across the Thames.

Taylor Woodrow, which this week announced that it was being joined by Wimpey as a consortium partner, has shown none of the reticence of other potential contenders.

Preliminary marketing for its £400m shopping, office and hotel complex and John Smithers of Healey and Baker, the agents retained by Taylor Woodrow, says names like Tesco, Sainsbury's and Marks and Spencer have written letters of interest which would account for up to 1m sq ft of the 1.7m sq ft of retail space planned.

Hambros will be responsible for gathering finance and the Bank's Christopher Spierberg says work on raising institutional money will start in earnest if the consortium's plans pass the first barrier.

There is still a very long way to go for all those involved. Developers like Taylor Woodrow will be imposing their own conditions on the planning authorities, not least full support to ensure a smooth planning process and the provision of good local communications.

● The Bank of Ireland has taken a lease on 9,000 square feet of self-contained offices at 3, Lombard Street, EC3. The premises have recently been refurbished by Scottish Provident Institution, the freeholders, which were represented by Jones Lang Wootton. Rent overall is thought to be in excess of £21 a square foot.

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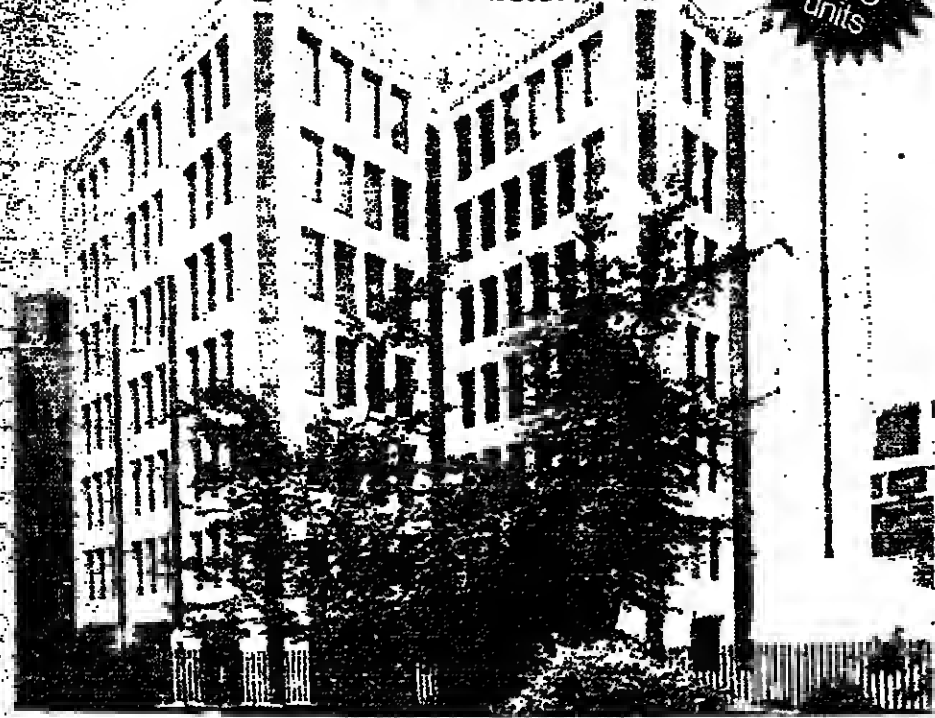
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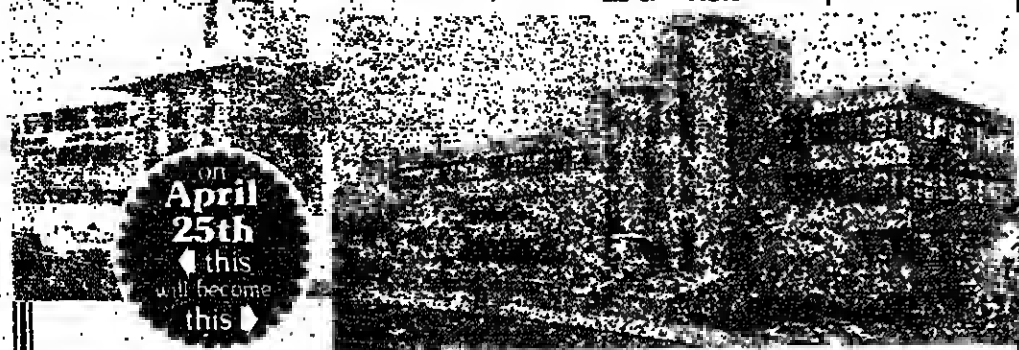
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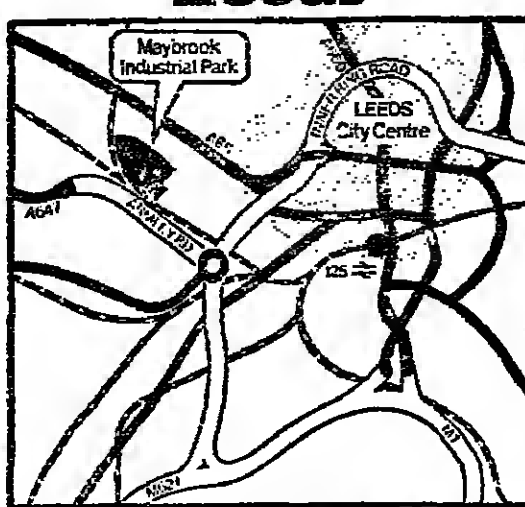


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THE ARTS

Cinema

Lost in Greene-land by NIGEL ANDREWS

The Human Factor (AA)
Classic Haymarket
National Film Theatre
Sunbury (A) Classic Haymarket
Stroud Season and Outside
ICA

Oh, what a noble book is here overthrown! If you have read and revered Graham Greene's *The Human Factor*, which with skilled and wondrous surgery refashioned humanity into the sordid heart of the spy thriller, you will be as curious as I was to see what the cinema has made of it. You might even have put your shirt on Otto Preminger, were it big enough, as the man most likely to succeed in bringing it to the screen. Preminger was the quondam maestro of Hollywood Humanism with films like *Anatomy of a Murder* and *Advise and Consent*, and his last film made in Britain was the tense, moody, Greene-like thriller *Bunny Lake Is Missing*.

But Greene's is an elusive talent: it scuttles away like a sand-crab when the mighty wit of showmanship comes too near. And since Preminger has gone for broke here with an all-star British cast—Attenborough, Morley, Gielgud, Williamson—and laded out the colour photography in a story that might have preferred to wear a taut, quiescent drabness, Greene's subtle magic fades at the commencement and scarcely pops its head around the corner again until the last, defiantly moving scene in Moscow.

Nicol Williamson, bravely mothballing his gifts for sulphurous scorn and grand agony, plays the poor, pained hero Maurice Castle; the Whitehall "mole" who spies for Moscow, Sarah, his black South African wife was spirited from that land with a Communist friend's aid, and Castle, in grati-

tude, is repaying that moral debt with espionage. Now he and Sarah—played by svelte Somali-born model Iman—live in stockbroker-belt Hertfordshire and he commutes between domesticity and desk-work, wondering when the time-bomb of his treachery will blow up.

Apart from some African flashbacks slipped into the narrative, Preminger and Tom Stoppard, who wrote the screenplay, have kept doggedly faithful to the letter of Greene's novel, trusting to doubt that the spirit will thrive of itself. Deluded optimism. This movie's faithful attentions to its original are of the embalming rather than the revivifying kind, and sweet as are the unguents and spices Preminger spreads over the body—who could resist Robert Morley and Richard Attenborough fawning through VIP character roles as murderous medico and huffy security officer respectively?—the true heart of the tale has stopped beating and the corpse declines to come back to life.

Preminger is a master-craftsman and even in this bland, odourless, stolid movie there are signs of what might have been. Attenborough's muddlesome Colonel Dainton wields a rosy cheek and a fine pair of mutton-chops as he blunders gently into Williamson's guilt, and Preminger wisely lets him steal as many scenes as he can. Attenborough looks as if he's discovering and relishing his role as he goes along. Ditto Morley's pop-eyed, large-jawed Civil Service assassin and Richard Vernon's fluffy, paternalistic "C" head of British secret service.

But Williamson and Iman give constrained, circumspect, stiff-limbed performances, as if out to earn Oscars for Good Behaviour rather than for acting. As they move about glacially in their Berkshire

dacha, awkwardly delivering the script's neat, too-careful Greeneisms, the film gets lost amid the whey-faced acting and the stolid camerawork (and the hideous furniture—expensive, ugly and un-Castle-like) and Greene's spirit howls silently in the cellars, decrying the waste of a marvellous story.

"Ars Gratia Artis"—alias "Art for Art's Sake"—reads the legend engraved on a loop of white celluloid, and the lion poking its head through the middle is perhaps antipathically roaring the perennial Hollywood pendant to that motto, "And money for God's sake." MGM, in its heyday the most lavish of American studios, must have cast an eye more than once at that second, more brutally realist maxim; for their extravagance as a production machine, even in the Depression years, was matched by few other studios and, with their own walls, only by the stylish inventiveness with which they deployed their resources.

Three cheers that they survived and thrived so long; and are even now, after seeming retirement in the 1970s, garnering business once more as a production outfit. MGM is about to receive a multi-part tribute at the National Film Theatre, with so many films promised that most of them would disappear over the Earth's curvature if laid end to end. That the original *Ben-Hur* is showing tonight and on Sunday is, alas, purely academic, for the performances were sold out ages ago. But why weep? There are countless other treasures to come, and depending on whether you like MGM dispensing spectacles or sophisticated comedies or costume melodramas you can winnow among such movies as *Red Dust*, *Son of Sin*, *The Barretts of Wimpole Street*, *The Philadelphia*

Story, *Gone With the Wind*, *Milvina On The Bounty* (two versions) and *Quo Vadis*.

Part one of this Leviathan retrospective starts today and lasts throughout February. Four more instalments are promised, taking us through to September.

Also at the National Film Theatre, chiming in with London's "Sense of Ireland" month, is a four-week programme of Irish cinema. As the London Film Festival has shown in recent unveilings there is more to Irish cinema—both in quality and in quantity—than meets the English filmgoer's eye, and with luck this introductory season will ensure that more cans of film cross the Irish sea in coming years. Look out particularly for Bob Quinn's *Potomac*, Kieron Hickey's *Exposure* and Peter Lennon's *Rocky Road to Dublin*.

I demand that a monument be built to Joan Collins in Wardour Street; possibly made of bronze, and standing bold and leggy and negligée'd outside Rank Film Distributors. Singhaunted, Miss C is keeping the flag of British sex-appeal flying in international cinema, and goodness knows what would happen to that dwindling commodity without her: or what would happen to movies like *Sundown*.

The nominal leading lady of this jetset comedy-thriller is Farrah Fawcett (ex-Majors), the sort of assembly-line Hollywood beauty—all teeth and golden cascading hair—that Miss Collins has always been one parodic and transcendent jump ahead of. Here Miss Fawcett plays the side-kick and pretended wife of private-eye Charles Grodin, investigating insurance frauds in Acapulco, and Miss Collins plays—well, nobody in particular, a rich, beautiful, wife who waylays and seduces

every man that crosses her path. But like a Venus fly-trap in a peignoir, Miss Collins pants and gurgles and insinuates and slithers and wraps herself around the furniture and is truly hilarious. The cinema has seen nothing quite like this since Swanson in *Sunset Boulevard*. It's the apotheosis of High Camp.

The rest is the apotheosis of lowly drive. Charles Grodin—an interesting actor who oever got his humbling comic persona quite right in *King Kong* or *Heaven Can Wait* and continues not to do so here—leads the investigative fun-and-games in bright-skied Mexico; and making a threesome with him and Ms Fawcett is Art Carney, playing a grouchy-but-lovable retired private-eye for what must be the 88th time in his career. The plot advances hobnobbing from confusion to chaos over 88 minutes, with nary a glimmer of wit (save from Miss Collins) and with many a sigh for that now-knighted gentleman who used to carry this sort of thing off—the fun-packed thriller in exotic climes—with such effortless brilliance. I refer of course to Sir Alfred Hitchcock, who should make it two monuments in Wardour Street.

Jean-Marie Straub and Daniele Huillet have, like Joan Collins, cornered a section of the movie market. Their appeal, however, is somewhat antithetical. Where Miss Collins is the Queen of Overkill, the Straubs are the Monarchs of Minimalism. A season of their movies starts at the ICA this week, opening with their newest film *From the Cloud to the Resistance* and going on to embrace earlier titles like *Othon* and *The Chronicle of Anna Magdalena Bach*. You should explore their frugal, crystalline intelligence. There is much dialogue, much immobility of camerawork, much batting at and fro of philosophical ideas, much beautiful landscape photography, and a general sense that though time can't be made to stand still for many other film-makers, it can be—and is—for the Straubs.

Also at the ICA this month, more Ireland. A season called "The Outsider's Ireland" unravels movies made about the Emerald Isle by non-Irishmen directors. On display: *Old Man Out*, *Ulysses*, *Remembrance*, *The Outsider*, and a host of other curios, classics and collector's items.



Jane Carr and Matyelok Gibbs

Warehouse

The Caucasian Chalk Circle

by MICHAEL COVENEY

At least the basic moral of Brecht's parable emerges bright and clear in John Caird's RSC revival, which has lately completed a national tour. That is, that the play within a play, provided by the narrator for two rival companies contesting a valley after the last war, illustrates that those who treasure and maintain human resources as well as human life shall inherit the earth.

It is a rich and leaping play, one of my favourites, but it needs vigour as well as imagination in the presentation. It received that sort of treatment at the hands of the Rustaveli Theatre Company currently at the Round House. The RSC's approach is dutiful, dogged and disappointingly grim. Visiting companies of the Rustaveli's calibre so often expose weaknesses in our classical output.

Although Alun Armstrong attacks the role of Azdak, the drunken judge who finds system in muddle, with boozey relish and enveloping gusto, the evening begins to drag interminably at those examples of crazy justice in action. Jane Carr as Grusha, the kitchen maid who takes off across the mountains with the Governor's son after the palace has been sacked, does well to avoid the scrubbed grimace one usually associates with British Grushas. But she con-

centrates less on establishing the physical arduousness of her task than on giving off an air of saucy camaraderie with her charge. She plays her light comedy throughout, chiding the child for snivelling and raising a good laugh with her warning that "being poor and cold puts people off."

The tone of Grusha's relationship with her brother (Clive Merrison) across the mountains is likewise glossed in funny accents that belong more to TV sitcom than to the Georgian past. Chris Dyer's design is a large white space decorated with brutalistic properties and human sound effects. So, you suddenly find Mr. Merrison standing in a corner moaning softly and stretching a long diagonal rope as Grusha flees the Ironshirts and leaps the windswept ravine to safety. The wonderful comedy of the arranged marriage of Grusha to the "dead" bridegroom is rather muted, but John Rogan contributes a fine cameo of the "cut-price monk" (Azdak's prototype in the play) with his simultaneous offer of funeral and wedding rites.

Kenneth Colley's Narrator is curiously self-effacing and uninvolved, just another example of the production's failure to seize the play by the scruff of its neck and shake it to life. Stephen Oliver's music is mercifully un-

Brechtian, but its delivery is too often entrusted to the cast standing in line and belting it out in that po-faced manner we mistakenly assume to be appropriate. Incidentally, for the second Warehouse show running, a girl suckles a baby at a fully-clothed breast. I am not advocating realism in all things, but it seems odd that a company so uninhibited with language should rarely appear physically liberated.

New arts sponsorship

The most valuable scholarships ever awarded at the Guildhall School of Music and Drama are to be offered by British Petroleum to four post-graduate students of outstanding ability during 1980 to commemorate the school's centenary.

These annual scholarships will consist of two for the post-diploma opera course (any voice) and one each for piano and strings on the advanced solo studies course. Each scholarship will be worth £2,700.

The winners of the scholarships will be announced in May and there will be a presentation recital for them in June. Applicants should apply to the Registrar at the Guildhall School.



John Gielgud, Richard Attenborough talking to Nicol Williamson in Otto Preminger's "The Human Factor."

Festival Hall

Rakhmaninov's Francesca

Rozdestvensky, at Wednesday's BBC concert, dug deep into the Russian repertory for our benefit. He came up with one positive gem—Rakhmaninov's *Francesca da Rimini*—and one more doubtful find—Glazunov's ballet *Les Russes d'amour*. The opera was begun in the difficult period after the failure of Rakhmaninov's First Symphony, put on one side, taken up again and finally produced (in a double bill with his *Heavenly Knight*) in 1908 at the Bolshoi.

The librettist was Modest Chalkovsky, whose brother several years before had used the same episode from Dante's *Inferno* as the basis of a symphonic poem. The opera itself resembles more than anything an extended symphonic poem with solo voices and chorus. Except for fleeting appearances by Dante and Virgil there are only three characters—Francesca, Paolo, and Paolo's malformed brother Lancelotto Malatesta, who is also unfortunately Francesca's husband.

The chorus, mostly wordless, represent damned souls. No one could manage wailing and moaning better than Rakhmaninov, but it has to be said that the opening and closing sections when the chorus are involved come very near Chalkovsky.

The opening, when Dante and Virgil make their infernal descent to these mournful sounds, is long out of proportion with what follows. Otherwise the score is well worth revival, less for the opera house than for gramophone or concert hall.

into bitter-sweet major as he foresees happiness if Paolo can be banished, is finely sustained; the love scene for Paolo and Francesca as ardent as the hottest Italian *verismo* with an elegance of expression, not always to be expected from that quarter.

The performance by the BBC Symphony Orchestra and Singers, combined fierce intensity, attention to detail and strict control in Rozdestvensky's best manner. He made the pause between the two parts as short as possible (how odd of Rakhmaninov to have made a break in such a unified conception). As Francesca Linda Eather Gray poured out a lamentably existing tone. The Paolo, Robert Tear, not an obvious partner for Miss Gray, was equally warmly involved. John Shirley-Quirk wrung sympathy for Lancelotto.

Glazunov's main ballets, *The Seasons* and *Rainbows*, are familiar up to a point. His third, *Les Russes d'amour* (1900), St. Petersburg, choreography by Petipa) is so far forgotten that the programme was able to give hardly any information. The opening number (or overture?) is based on the French song "Pai du bon tabac," which merry tune returns at the end, by which time a deal of pretty but not always remarkable ballet-music, including a valise and what is presumably a grand pas-de-deux, with filigree, solo work for violin and cello, has tickled our ears. The scoring is as sumptuous as one would expect, but the jewels are paste—nothing of Chalkovsky's urgency or instinctive feeling for classical dance. Still, it was nice to hear music for dance well played by a large symphony orchestra. RONALD CRICHTON

Wigmore Hall

Kristin Merscher

When she appeared in the semi-finals of the Leeds Competition 16 months ago Kristin Merscher was just 17, and I called her then one of the most sensationally gifted pianists ever to appear on the competition stage. She was young, and her performances were young, too—but they had glitter, and confidence, and thrilling potential. She was clearly an exceptional discovery: although the jury, with a jury's customary grey and moralising caution, passed her by for the finale in favour of two far duller talents.

Since then she has wisely kept away from the limelight, and continued with her studies, waiting until Wednesday to make a modest London debut in the Wigmore's Debenham Series. There is still much work and much exploring to be done, and there are important doors still to be opened; but she gave no reason either to modify the opinion that she is potentially, for all that the sensibility is not yet fully formed, one of the most exciting young artists to be introduced to the capital in years.

She began with the Liszt arrangement of Bach's organ Prelude and Fugue in A minor—the kind of performance Schnabel used to describe as "enormous," not for its length or dynamic weight (although Miss Merscher gave us weight in plenty), but for its spirit: big, brassy organ tones, ringing bass octaves, driven with unstoppable energy. She followed this clarion overture with Chopin's A flat Ballade and B minor Scherzo, both articulated with splendid precision, every fortissimo climax on a knife edge, sparkling bright. But she should consider also the nature of a true Chopin sotto voce: is it really such a robust and forthright *mezzoforte*?

She devoted her second half to two of the repertory's most exciting warhorses, Ravel's *Gaspard* and the second book of Brahms's *Variazioni*. The first performance by the new orchestra is next Thursday.

exception—with astonishing ease. On one level it was a truly impressive achievement: but on another almost too nonchalant, as if brilliant reflexes had sometimes taken over from (or not yet reached) the heart—where, for example, were the little expressive *docteurs* of "Ondine" that her fingers could so easily have encompassed, or the touching curves, deeply sentimental, of the Brahms fourth variation? She has proved that she can master the broad lines, and all of the dangers, of the most virtuosic score. The time is coming, and no doubt soon, when she must draw the focus closer, and read more deeply into the music, above, below, and between the lines.

DOMINIC GILL

New musical director for Bournemouth Sinfonietta

Volker Wangelheim is to relinquish his position as principal conductor of the Bournemouth Sinfonietta, a post he has held for three years. He will make his final appearance as principal conductor on Sunday, July 13, at the Winter Gardens, Bournemouth and from September 1 he will be succeeded by Ronald Thomas, the present leader of the Sinfonietta.

Mr. Thomas will have the title of musical director and as such his responsibilities will be divided between directing from the leader's chair and conducting.

Leader of Scottish Opera Orchestra appointed

Scottish Opera has announced that the leader of the new Scottish Opera Orchestra is Angus Anderson, at present associate leader of the Scottish National Orchestra. The first performance by the new orchestra is next Thursday.

A FINANCIAL TIMES SURVEY
VIEWDATA

MARCH 24 1980

The Financial Times proposes to publish a Survey on Viewdata preceding "Viewdata '80" at Wembley conference centre (26-28 March).

The provisional editorial synopsis is set out below:

Introduction The growth of viewdata over the past year has been explosive. The UK was the first country to introduce a public service but now other countries—Japan, France and Canada—are developing their own systems rapidly.

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Teletext Systems have been developed simultaneously with viewdata, differing in that they use airwaves rather than phone lines for transmission and generally offer a more restricted service. A review of their developments.

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Viewdata developments in Canada, Japan and France.

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Friday February 1 1980

Crucial vote for BL Cars

FOR THE second time in four months the employees in BL Cars are being asked to vote on management proposals designed to safeguard the future of the business. Last October they supported by a big majority the company's recovery plan, which included plant closures and a large number of redundancies. Since then the Government has agreed to provide the additional funds necessary to carry through the restructuring programme. Now the issue is efficiency. Over the next few days the workforce will decide whether to accept or reject a package of wage and productivity proposals which involve far-reaching changes in work practices.

New models

The union negotiators are opposed to the proposals and are campaigning against them. But their decision to call a ballot of the workforce is a measure of their uncertainty about shop floor attitudes. For the management the vote is crucial. Without much greater flexibility in the use of labour, as set out in a detailed document already distributed to the employees, the company will remain a big-cost producer.

BL's strategy for re-establishing a viable car business has three strands. The first is to bring capacity into line with demand for the company's products; that is the purpose of the rationalisation programme approved in October. The second is to strengthen the model range. The third is to ensure that the plants which remain are manned and operated to the best international standards.

After a regrettable hiatus, which has seen the company's share of the UK market drop from 30 per cent in 1974 to well below 20 per cent, changes in the model line-up are imminent. Later this year a new version of the Marina will be launched; in October comes the Mini Metro, followed in 1981 by the Honda-designed car.

Credibility

Whether the company can regain some lost market share in the period before the new models arrive depends in part on the confidence of dealers and customers in the future of the business. This gives added importance to the forthcoming ballot. If it shows that a sizeable majority of the workforce is willing to go along with the

changes the company wants, the credibility of the management will be enhanced. As for the employees, Sir Michael Edwards and his colleagues have shown on several occasions—notably in the dismissal of Mr. Derek Robinson, the Donbridge shop steward—that they will not be deflected by trade union obstructionism from doing the things they believe are necessary. Whatever the outcome of the union inquiry into Mr. Robinson's case, the company is highly unlikely to back down on the issue.

A favourable ballot result would represent, of course, only the first step in the reform of work practices. Implementation will impose a considerable strain on management at all levels. The company's earlier experience of switching from a piece-work method of payment to measured day work, where the results were extremely disappointing, shows how important it is for changes of this sort to be preceded by very thorough preparation and training. The hope is that the plant-level bonus schemes will give an incentive to the employees to co-operate in the new arrangements, but the task of changing long-established habits and attitudes is a formidable one.

Solid base

In the five years since the Government's rescue of British Leyland the company's competitive position has continued to deteriorate. The present management has not yet been able to halt the decline in market share. Yet its plans are more realistic than those contained in the Ryder Report. There is no reason in principle why BL Cars should not be viable with a production of around 750,000 vehicles a year, just as Honda is. Once a solid base can be established, the company can perhaps begin to claw back some of the lost ground.

To get that solid base the whole workforce has to play its part. While the ultimate test is whether it can produce vehicles which people want to buy, a dramatic improvement in productivity is a necessary condition for the company's survival. That is what the ballot is about. But it also has a significance which goes beyond BL. A victory for the management may encourage other companies, in the public and private sectors, to get to grips with the obstacles to productivity. If necessary by a direct appeal to their employees.

Protecting the lenders

THE long running discussion of Euromarket control sometimes seems to resemble the drone of bagpipes above battle—an incessant sound which has little relevance to the underlying action. Yet there seems a fair chance that in 1980 a blend of external control and self-control will actually start to bite into the business of international bank lending.

There are limits—self-imposed and, increasingly, monitored by banking authorities—as to the proportion of a bank's capital which may be put at risk in any borrowing country. It is clear that in some cases this limit lies far below the demands which some borrowers could make on the banking system this year. Mr. Henry Wallich, Governor of the U.S. Federal Reserve, provided a concrete example in a recent speech. He pointed out that if the group of banks providing much the largest part of current loans to Brazil were to expand those loans in line with their capital expansion this year they could provide the country with an extra \$1.5bn. It is common knowledge that Brazil will need to raise ten times that sum in 1980.

Prudential control

Demand of this order coincides with a moment when the rambling debate on euro-currency controls is focusing more exactly on what should be achieved and how to achieve it. Control is more closely defined today to mean "prudential control". Originally there were other grander aims for euro-market control such as curbing credit creation, or reducing currency speculation, or preserving the economic sovereignty of industrial countries, or keeping smaller countries on the straight and narrow. These macro-economic aims have today been subordinated to the aim of keeping international banking safe.

The essentially macro-economic idea that banks should be subject to an international system of reserve requirements is now conceded, even by its former proponents, to be in cold storage. The emphasis today is on control via the parent of each banking group of internationally consolidated balance sheets

assessed first for the exposure of each bank to individual countries and, second, for the ratio of total loans to shareholders funds.

We are still far from a situation where international banks are forced to limit their exposure to particular countries. But there is a broad move, co-ordinated through the Bank for International Settlements, to get the banking authorities in each country to at least monitor the exposure of the banks under their control.

Uniform imposition of permissible balance sheet ratios remains far off. But even on an unco-ordinated and self-imposed basis they are beginning to take effect. Capital constraints are cited as one reason why the U.S. banks cut back very noticeably on the pace of their third world lending in 1979.

The second recycling challenge has prompted some bankers and central bankers to suggest the authorities should now go easy on Euromarket controls and let the banks get on with the recycling job. It is surely wrong to suggest that risky banking be allowed to solve a financing problem, however important. It is also quite possible that a blend of prudential control and self-control is exactly what is required to force alternative ways of recycling to emerge. When and if banks are physically unable to meet specific demands for credit or to accept deposits the funds will be forced to flow through different and safer channels.

Virtually untapped

Nor do all these channels need to be invented. The international bond market remains virtually untapped for recycling. Banks could act as loan-brokers arranging syndicated loans directly between OPEC wealth and development needs. Direct investment by OPEC countries in the third world is widely advocated. And in special cases bank lending might be bolstered by guarantees either from Western Governments or from the International Monetary Fund, or by IMF loans. Despite the new recycling problem the attempt to raise and co-ordinate limitations to banking risk must go on.

A GROWING number of European chemical companies are starting to seek refuge from the storms of petrochemical production and the world's oil markets in the making of high value specialities.

Chemical industry pundits have for years been advising manufacturers to move away from heavy, basic chemicals to making more specialised products. Some have done so and the trend is accelerating. They are acting in response to what some of them see as fundamental changes in the market place.

Several companies view the increasing emphasis on speciality products as part of a sort of domino pattern set off by changes in the control over world oil supplies. They argue that the big oil companies are being superseded by the State oil corporations in areas like the Middle East. They expect that this will encourage the oil majors to pay greater attention to their chemical subsidiaries. The chemical subsidiaries of oil companies tend to concentrate on petrochemicals and commodity products such as plastics materials—the area closest to the crude oil business. If their already considerable hold on this sector is further strengthened, then the more traditional chemical companies may be forced to look to downstream specialities in order to maintain profits.

Eastern bloc competition

Monsanto Europe, part of the U.S.-based chemicals group, says the oil majors are under pressure in areas like the Middle East over their crude supplies. Mr. Jack Fitzgerald, managing director of Monsanto Europe, reckons the oil companies are therefore likely to move more strongly downstream into commodity chemicals.

He adds that the traditional producers of commodity chemicals are currently facing competition from eastern bloc countries as well as from oil-backed chemical companies at the very time when growth rates are slowing down. High growth rates "can cover a multitude of sins", but the picture is "entirely different" when there is a growth rate of no more than 2-3 per cent, when more producers are moving into the market, and when everyone is therefore being squeezed.

Monsanto Europe itself is already making use of certain bulkier and less profitable product areas. Last spring it announced it would be closing down its European nylon fibre business. Two months ago it disclosed plans to shut down the polystyrene and chlorine operations of Alconcel, its Spanish subsidiary.

Meanwhile it has been building up a number of specialised

products such as Saffex, a polyvinyl butyral interlayer for safety glass which is used in windcreens, and Roundup, a versatile herbicide that can be used in vineyards, orchards, forestry plantations and crop stubble.

Mr. Fitzgerald says that the development of highly specialised proprietary products should enable a company to stay well ahead of the new competitors and that there are plenty of opportunities waiting to be seized in the specialised product field. If he were starting from scratch he would look at food production, at pharmaceuticals and energy conservation. Monsanto was "fascinated by the raw, rapid growth" that was taking place in these fields.

But he admits that the difficulty in the way of developing chemical specialities is the high cost of technical research, market research and product promotion. The building up of a successful fine chemicals research department requires not only a great deal of money but also much time. Pharmaceutical companies, for example, examine thousands of compounds during the initial stages of research into new medicines and no wonder drug has ever brought its makers fame and fortune overnight. The speciality field is a hard one for smaller companies to enter. Those that find themselves being squeezed by oil-backed groups in the bulk products sector may also discover that they do not have the resources to start developing specialities as an alternative.

The companies best placed to move more heavily into specialities are clearly those that can build on existing fine chemicals businesses. The Swedish-based Kema Nobel has been making products like pesticides for some time and has started stepping up its activities in these fields and specialising to an increasing degree. At the same time it is expecting less, in terms of performance, from its base chemicals operations. At present base chemicals account for 29 per cent of the group's total turnover and it is thought this figure will drop over the next few years. The contribution made by such specialist subsidiaries as Kema Gard on the other hand, is likely to increase.

Defensive strategy

Kema Nobel believes the oil companies' subsidiaries are "pushing" at the heavy chemicals sector and that some of the bigger, traditional concerns are turning to "specialised products as part of a defensive strategy." Mr. Per Knuts, head of Kema Gard, reckons his group has obtained a head start on some of its competitors in the speciality field. Like Monsanto Europe, he pinpoints food pro-

By SUE CAMERON, Chemicals Correspondent



Mr. Keith Walley (left) of Shell Chemicals; prepared for some stiff competition. Mr. Jack Fitzgerald (centre) of Monsanto Europe; moving out of certain bulkier products. Dr. Kurt Lanz (right) of Hoechst; strength on size and diversity.

duction and energy conservation as areas for speciality product expansion.

"Some time ago we realised that in the base chemicals sector we would find ourselves competing against countries which had better access to raw materials and cheaper labour costs," Mr. Knuts says. "We therefore decided to reformulate our strategy. Sweden is strong on research and development and the country also has entrepreneurial skill. Kema Nobel chose to focus on selling knowledge rather than just selling chemicals."

Although Kema Nobel is expecting base chemicals to make a smaller contribution to its total business over the next few years, the petrochemicals operations of some of the biggest traditional chemical companies—notably those of the three German giants, BASF, Bayer and Hoechst—are in extremely good shape. The oil crisis of 1979 boosted demand and enabled companies to push up prices in a sector that had been suffering from weak prices and from overcapacity for several years. But the boom is not expected to last. The West German Chemical Industry Association now says it fears a slowing down of growth in petrochemicals during the coming months.

Hard times should tend to favour the oil-backed heavy chemicals groups while encouraging some of the traditional companies to move out of certain bulk products and into specialities. That does not mean that Europe's chemical industry is about to play an elaborate game with everyone moving down a place when the echoes of last year's oil crisis die away. The strongest of the traditional companies

will continue to make petrochemicals against the increased competition of the chemical affiliates of the oil majors. At the same time, the areas where they will look for the greatest growth will be their speciality product businesses.

Hoechst is certainly not expecting the oil-backed chemical companies to push everyone else downstream and into speciality products—though it has to be said that Hoechst itself would be hard to shift in any direction. It is probably the largest chemical company in the world and certainly the biggest pharmaceutical producer.

Dr. Kurt Lanz, deputy chairman of the German-based group, maintains that Hoechst's strength lies partly in its very size and diversity. If one of its businesses goes through a lean time, it will still have two or three successful operations to make up for it. He adds that a chemical company is not necessarily better off just because it has an oil parent. But he also says that Hoechst—which does not possess oil of its own—has no current plans for putting new money into those of its businesses which are related to petrochemicals, including the fertiliser sector.

The group is looking for growth in some of its downstream speciality areas and is planning to invest in them. It will be putting money into pharmaceuticals, which now account for 18 per cent of its total business worldwide, and for 15 per cent in Germany. It will also be investing in agrochemicals, which represent 7 per cent of its worldwide turnover and 5 per cent in Germany. In the longer run it foresees agrochemicals accounting for as big a slice of total sales as pharmaceuticals.

One other area where Dr. Lanz sees cause for optimism is plastics—the heavy end of the industry. He believes the need to save energy and, in particular, to reduce the weight and petrol consumption of motor cars, will provide considerable opportunities for the application of plastics materials producers. But even within this commodity sector, he expects to see far more specialisation.

Mr. Keith Walley, managing director of Shell Chemicals UK, part of the Shell oil group, says his company intends to develop more specialised plastics—though he is prepared for some stiff competition from a number of the big, traditional chemical companies. He believes that there is likely to be a strengthening of the chemical subsidiaries of oil companies while some of the traditional chemical groups may well move into more specialised product areas further downstream.

Supply-base advantage

Chemical companies that are affiliated to oil majors undoubtedly do have some advantages over their non-oil-based competitors in the petrochemicals field—especially when supplies of oil-based raw materials are tight and when prices are soaring as has been the case over the last year.

One reason why ICI decided to buy a 19.2 per cent stake in the Minian oil field in the North Sea was the wish to safeguard its petrochemical feedstocks. The group is one of the few traditional chemical concerns to have bought its way into oil. The move suggests that ICI is alive to the dangers of non-oil-based companies being pushed

out of the heavy end of the business. The UK-based group was determined that whatever happened to others, it was not going to see its petrochemical market share eroded by oil-backed producers. Today it obtains about 33 per cent of its oil-based naphtha feedstock from Minian and is in a strong position to negotiate the price of what it has to buy in.

There seems little doubt that oil-based chemical companies are going to be in a peculiarly strong position to increase their competitiveness at the heavy end of the business over the next few years. But that does not mean they will start rushing to invest in base chemicals across the board. Their oil parents may be able to help them with technological expertise and with secure feedstock supplies, but they cannot immunise them against overcapacity, weak product prices, the development of state petrochemical industries in the Middle East and the eastern bloc, or any of the other forces that affect the market.

While pressure from the state oil corporations of the producing countries is likely to make chemical production more attractive to the international oil companies, it will also encourage them to step up expensive exploration activities in the politically stable areas of the world. All of that should ensure that the oil-based groups are highly selective in their investment in petrochemicals. The logical course for them and their parents is to expand at the heavy end of the chemical industry. This can only encourage an already clearly defined trend for the traditional chemical majors to place increasing emphasis on their downstream speciality products.

MEN AND MATTERS

Ironing out the bugs

The exposure of a nest of phone tappers in Chelsea was received with something verging on disdain by the captains of our private security industry. "I'm not at all surprised," says Douglas Phillips, president of the Association of British Investigators. "We have always been aware that monitoring is done to such an extent that even we do not discuss certain matters on the phone." He admits to being a believer in the "bug" and someone's apparent obsession with centralisation had led him to put "so many eggs in one basket."

"All that fuss," he says laconically, "you can do it without such a sophisticated set-up. It can be done at any time in all kinds of ways by skilled, unethical people." Phillips maintains that all forms of eavesdropping in Britain are monitored. The Home Office takes a regular trip through all radio frequencies as a matter of routine. And post, Phillips points out, can be examined with the help of sprays which render envelopes temporarily transparent. But he also believes official surveillance is necessary because the authorities have to keep an eye on militants and such.

The apparent sophistication of the equipment in the alleged hugging centre in Flury Bridge Road prompted Phillips to point out that commercial and industrial managers should also beware of increasingly devious means being used to "steal" confidential information. Relatively new in the market are laser scanners and the "infinity transmitter," which can be planted on a telephone line anywhere between the exchange and the handset, and used to listen to conversations in the room where the phone is situated. The spy can dial the phone number from anywhere with a special box of tricks. The phone does not ring, but the mouthpiece is automatically transformed into a transmitter. Should the phone be lifted, the eavesdropper is cut off. If any-



one else tries to call the number all he hears is the engaged tone.

Poles apart

For those who feel their lives lack that touch of ceremony and pageant, a competition just announced in Poland should help. Poland's Society for the Encouragement of Secular Culture, has launched a competition asking the people to think up suitably socialist ceremonies which would cover the more important moments in a person's life.

The society is a small band of indefatigable atheists who battle for their lack of belief in the face of the formidable Catholic church. The competition is looking for ways of rivaling the church's flair for pomp and circumstance. Apart from the everyday occurrences of naming a child or registry office marriage, the organisers are looking for ceremonies for becoming a member of a housing co-operative—"being handed the keys," for instance, and "being promoted" at the office. The range seems unlimited from getting one's first job to gaining professional qualifications, to commemoration of office or shop floor achievement. The same range applies for pupils at

school and even farmers have not been left out—"handing over the farm from father to son" is one of the subjects.

Still game

While politicians grow increasingly doubtful about supporting the Olympics in Moscow, commercial backers for the British team still appear happy to continue putting up money for support. The National Westminster Bank yesterday added a further £30,000 to its £50,000 contribution towards helping athletes prepare for the games.

And George Nicholson, appeals director of the British Olympic Association, declares himself well pleased with the way the money is coming in. So far he has £550,000 of which £350,000 comes from commercial sponsors. He reckons he needs an extra £400,000 and is anxious that individuals or organisations should not be put off their planned fund-raising projects by the political climate.

All the major traditional sponsors had contributed money, he told me, and only yesterday a "very prominent" pharmaceutical company had asked him for a contract worth £10,000 under which it would be allowed to use the Olympic emblem on its products.

Dig in the ribs

The long-simmering antagonism between Britain's archaeological establishment and the metal-detecting fraternity who roam the countryside in Wellington boots and headphones digging up headsteds is boiling up again.

The newly-formed Detector Information Group has applied to the Charity Commission demanding that the Council for British Archaeology should be stripped of its charity status and thus lose its tax concessions. Frank Mellish, DIG's research director, claimed that the council should be de-registered because of its political activities, which, he says, "are specifically out of bounds" for charities.

I am told by the Charity Commission, however, that no organisation on its books has ever been struck off for straying into politics. The worst that can happen to the council, I understand, is a ticking off and a demand for money spent on political activities to be restored to its trust fund.

Archaeologists have been campaigning for years against what they consider the dangerous use of metal detectors on potentially valuable historic sites. There are at present 140,000 licensed metal detector owners in the country and a flock of followers estimated to bring the total to 250,000. The CBA, which has been lobbying for controls, was unimpressed by DIG's challenge. "Oh, what fun," exclaimed a lady taking my call. "I'm terrified," quaked Peter Marchant, the council's administrative secretary. "We are trying to preserve the nation's heritage," he said. "It's a preposterous move."

Clearly accustomed to dealing with the hobby lobby, Marchant said they recently complained that the council had described them as "scum." "How they managed it, I don't know, but they somehow twisted a reference to our Study Conference of 'Unk Managers' into an attack on them."

Cocktail cuts

Wit has been fairly thin on the ground amid the general huffing and puffing over the Soviet invasion of Afghanistan, but the octogenarian President Bourguiba of Tunisia seems to be keeping his head. Entertaining the ambassadors in his country the other day he turned to the Soviet representative. "What is the total area of the Soviet Union," he asked innocently. The ambassador muttered a response with plenty of zeroes at the end of it. "Not enough for you, eh?" replied Bourguiba laconically.

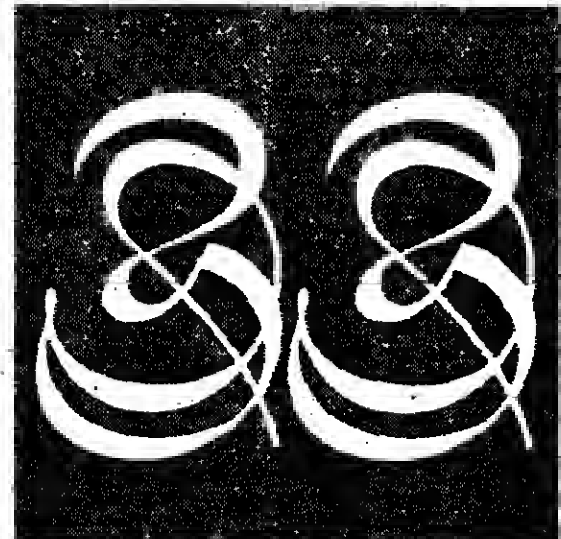
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The Government follows Lord Denning

THE STEEL strike is producing opportunities for the Government as well as pitfalls. Who would have thought last week, for instance, that the Cabinet would be obliged to pluck up the courage of Lord Denning's convictions and seek to strengthen the legislation on secondary picketing now before Parliament? Yet that is exactly what has happened.

The Appeal Court ruling by Lord Denning and his two colleagues last Saturday forbidding the extension of the strike to the private sector may well be overturned in the House of Lords today. Indeed, that is almost the Government's expectation, though the opinion of the Law Lords may be less than unanimous and the small print will be watched.

Whichever way the judgment goes, however, the Government has accepted that the law relating to secondary action in a trade dispute is unclear and must be changed. Necessity provides the opportunity to bring the law more into line with the Conservative election promises, namely those to curb the power of the unions.

The existing law was once described by Professor Goodhart as follows: "A strikes against B on a question of wages. Thereupon C strikes against B because he believes his act will be in furtherance of A's dispute against B. Both A and C are protected under the 1906 Act." The 1906 Act legalised secondary action provided that it was "in contemplation or furtherance of" the original dispute.

Until the last year or so Professor Goodhart's interpretation was not seriously challenged. It was widely believed that objective criteria for establishing what action was or was

not in pursuit of a dispute could be fairly easily determined. The hint of a change came with the case of Express Newspapers v McShane, though for the Conservatives it turned out to be something of a false dawn.

Lord Denning ruled that the action of the National Union of Journalists in asking national newspaper journalists not to handle Press Association copy in pursuit of a dispute concerning provincial newspapers was too remote from the original dispute to be allowed. His judgment was overturned in the House of Lords much to the relief of the unions.

Looking back, however, it can be seen that the Law Lords' findings in that case were much less clear-cut than was widely assumed at the time. It was said by Lord Wilberforce, for instance, that his judgment might have been different if the union's action had threatened to have serious consequences for the newspaper industry. But it had led to the cessation of publication of the national newspapers; the Lords' judgment might well have gone the other way.

The case of the independent steel producers begins almost where McShane left off. It is an altogether higher level. An extension of the strike to the private sector might not, as was claimed by Lord Denning, "put the whole nation and its welfare at risk." But at least it would be hard to argue that it would have no effect on the national economy. Something of the concept of the national interest has thus been introduced into the pleading, and will no doubt reappear if the law is not changed.

Moreover, the steel producers were able to say that the Iron and Steel Trades Confederation (ISTC) was seeking a second

dispute by putting pressure on the Government rather than simply on the British Steel Corporation. Since the Government is ultimately the BSC's paymaster, this is a fine distinction. Indeed it is because the Government and the Steel Corporation are so inextricably linked that the Court of Appeal's decision is expected to be overturned by the Law Lords.

Nevertheless, if the law were not changed, there can be little doubt that this kind of case would recur. The existing law is under challenge, and there is a growing tendency to reject the simple Goodhart formula. So much is not really surprising. The 1906 Act was framed at a time when the unions were much less powerful than they are today. The need then was to give them protection or immunity rather than to prevent their power getting out of hand. There were also then no nationalised industries, so that the Government was pretty far removed from most

industrial disputes. It was not the paymaster to a large part of the national workforce. There was very little tendency then for every major strike to become a general strike. Yet today the Goodhart formula can be read as a recipe for precisely that.

Look at the formula again. A is the ISTC striking against B which is the BSC. In the first instance C is the ISTC in the private sector striking against D, the independent producers. But C and D could very well be extended to include all sorts of other sectors if other unions were to take up the steel workers' cause. That is an intolerable state of affairs, particularly if it is suspected that the real reason is to persuade the Government to change its overall policies.

That is the objective reason for change. The law has been found by the judges to be less clear than was once thought, and it is also out of date. We now move, however, to what the

Government is going to do about it. The Conservative manifesto made no bones about it. It was not talking simply about clarifications of the law, but about changing the balance of power. Between 1970 and 1974," it said, "Labour enacted a 'militant's charter' of trade union legislation. It tilted the balance of power in bargaining through-out industry away from responsible management and towards unions. An again, 'Labour claim that industrial relations in Britain cannot be improved by changing the law. We disagree. If the law can be used to confer privileges, it can and should also be used to establish obligations.'

Yet the initial changes when they were first published in the Employment Bill turned out to be relatively mild. We now know that in the light of recent court decisions they will be considerably more restrictive so far as secondary action in an industrial dispute is concerned. The emphasis may have switched

from limiting secondary picketing to restricting any form of secondary action altogether. The Government is now in a position to put one of its main election pledges into effect much more quickly than had originally been planned.

It is worth considering how this came about. The overwhelming conclusion is that the Government arrived in its present position by accident. There was a steel strike which hardly anybody wanted and which few people expected to take place. The TUC did its utmost to prevent it. The strike is now in its fifth week.

It is possible, as I suggested last Friday that the strike will end with a settlement not much different from the terms already offered and the emergence of a streamlined Steel Corporation, reconstituted, decentralised and perhaps even partially nationalised. But the fact is that nobody knows. The steel dispute might also lead to something approaching a general strike.

Again, if there had been no steel strike, the case of the independent producers in the Appeal Court would never have arisen. The Government might not then be proposing to amend the Employment Bill in a way that is bound to arouse the unions yet further and at a time when a major national strike is still going on.

Tory hawks might argue that all this is for the best. In other words, it is better to do the controversial things at one fell swoop. First put VAT to 15 per cent, raise the minimum lending rate to 17 per cent, cut public expenditure, and then clamp down on trade union immunities. After all, there will then be four years in which to see if the experiment works.

One must confess that there is something to be said for that point of view. But there is no evidence that this is how the campaign has been planned. The Government is proceeding by a mixture of ad hocery and theology and the qualities are not always applied in the right places. It was the theological approach that was applied to the original steel pay negotiations. The Government wanted to show that it was not going to intervene. Yet it overrode the fact that it was seeking to impose the doctrine of non-intervention on an imperfect model. It was not the best Corporation to which to apply the theory that management must manage and that if management says it can break even next year within the promised cash limits, management must be right.

It appears that unions and management at the BSC are incapable of coming to an agreement without government guidance. That does not prove that the Government's theories

are wrong, but merely that the BSC in its present state is not fit to respond to them. The strike could almost certainly have been prevented, and with it a great deal else, by a little mollycoddling.

The ad hocery comes out in the approach to Lord Denning's judgment. In fact, there is probably no alternative in present circumstances to amending the Employment Bill in Committee Stage, but that is not what was originally planned. The abandonment of gradualism came about by accident. The reactions are unforeseeable.

Not least, one of the oddities of what has occurred is that Mr. James Prior, the Employment Secretary who was once regarded as the unions' Tory friend, is now seen as almost indispensable from Sir Keith Joseph, the Industry Secretary and chief theologian, though in practice a pragmatist. Mr. Prior takes the view that the union leaders will have to get used to a while to being outside the corridors of power, an experience he has known himself.

What will happen next? It is not clear that anyone has much idea. It is like watching, in a thriller whose outcome is uncertain. It is possible that the Government will win on all fronts and that the unions will prove to be a paper tiger. That is why one suggests that there are opportunities as well as pitfalls. It is also possible that unions once roused will turn out to be a formidable force. Yet if the Government does triumph it will be more by accident than design. There is no reason at present to believe that anyone is in control of events.

Malcolm Rutherford

Letters to the Editor

Controlling the Comptroller

From Mr. J. Corbett, MP

Sir,—Michael Lafferty's article "Private eyes on the public audit" (January 29) was an interesting discussion on whether our state audit body, the Exchequer and Audit Department, should further develop value-for-money auditing, but it ignored the far wider reforms that are needed in the system.

The most alarming feature of our state audit is the extent to which, though originally intended as an arm of Parliamentary scrutiny, it has been taken over by the executive. The 1886 Exchequer and Audit Act said that accounts should be examined by the Comptroller and Auditor General on behalf of the House of Commons. Chancellors of the Exchequer (e.g. in 1916 and 1921) referred to the Comptroller as "an officer of the House." The present Comptroller, when examined by the expenditure committee in 1977, said "I am totally independent, even of Parliament," though he quoted "a note about his department" which referred to it as an important instrument of the Treasury. The Treasury itself produced a paper for the committee which said that the relationship of the Comptroller to Parliament was simply that most of his reports were made to it and that he was a witness before the public accounts committee. The Government's response to the expenditure committee's proposal that the Comptroller and his staff should be made officers of the House was that it was of "cardinal importance" that he should not be subject to direction from any quarter. This encroachment on the rights of Parliament must be stopped.

It is true that the Exchequer and Audit Department must move not only into studies of value for public money but also into studies of the results and effectiveness of policy as the United States Comptroller has done, and should examine the management of all spenders of state funds. To do this the department will need many more professionally qualified staff; but the attempt to take over the department by the accountancy profession must be resisted. Accountancy is not the best qualification for the audit of effectiveness and efficiency of public administration because accounting training in Britain is far too narrow. John Garrett, House of Commons, S.W.1.

Private eyes on the public audit

From the Comptroller and Auditor General

Sir,—May I make one or two brief comments on Michael Lafferty's article on the Exchequer and Audit Department's value-for-money audit (January 29). The management review to which he refers was undertaken and its findings published on our own initiative. I chaired the Steering group but we had the benefit of independent advice from government departments and commercial accountants. Our organisation and approach, but not our methods, were criticised and left us with some problems on working methods. Public sector accounting and auditing is not identical to that of the private sector, and one of the most difficult con-

tinuing problems is how best to achieve financial audit and an effective evaluation of the complex control systems in government without proliferating a mass of documentation or promoting a mechanistic and unwieldy approach. We take the view that government audit itself must provide value for the taxpayers' money. "Systems-based good: transactions based bad," is a rather simplistic approach to public sector audit. I do not know whether our examinations of projects such as Concorde, the Tornado, the Thames barrier, major hospital building or computer procurement would be regarded as transactions-based, but they, and many similar areas of public expenditure, have been subject to my department's value for money investigations for many years past and the results reported to Parliament so that the public accounts committee could appraise the effectiveness of the administration.

Mr. Lafferty repeats the familiar criticism about non-qualified staff. Ever since 1921 E and AD staff have been given special training on a three-year day release course in financial and cost accounting, audit, and constitutional and commercial law, supplemented by internal lectures and other training. They took externally set and marked examinations. The Chartered Institute of Public Finance and Accountancy now provides a first class professional syllabus well suited to the wide responsibilities of public sector audit and we were happy to adopt it as our main, but not exclusive, qualification.

I am glad of the increasing interest shown in our work, and I look forward to the informed debate which I hope will be stimulated by the Government's Green Paper and by such contributions as those which the Consultative Committee of Accountancy Bodies has made. We shall give all suggestions for improvement the attention they merit. (Sir) Douglas Henley, Exchequer and Audit Dept., Audit House, Victoria Embankment, EC4.

Public service rewards

From Sir Alan Neale

Sir,—It throws useful light on some current discussion about rewards in the public service that your Mr. Lafferty (January 30) has identified the major problem of persuading a chartered accountant to succeed the present Comptroller and Auditor General. He tells us it would be that of "finding a suitable remuneration package." If this tortured expression means much the same as what in our absurd civil service jargon we call "pay," it is interesting that Mr. Lafferty reckons the accountant would need just about twice as much as is paid now. This is well in line with the profession's view that the essential need is to make the control of public expenditure more expensive. (Sir) Alan Neale, 37 Stormont Road, NG.

London hotel prices

From Mr. D. Hearn

Sir,—Maurice Segal's letter (January 29) calls for a reply. Mr. Segal's company as an hotel booking agent derives its living from the hotel industry, yet like others who should have

concern for the damage that they do to our national tourist interests, Mr. Segal chooses to bite the hand that feeds him. It can give extensive details of the cost increase, including 49 per cent on wage rates over two years, which have forced up hotel prices. Like theatres, which have received considerable public sympathy, hotels and restaurants prices are subject to VAT at the full rate of 15 per cent.

I would not, however, wish to miss the essential point which is that the almost hysterical chorus about London hotel prices concerns only a handful of hotels at the top of the luxury range. Paradoxically from all the figures that I have seen, it is these hotels with the highest rates which enjoy the highest occupancies. Nevertheless they are entirely unrepresentative of London hotel accommodation in general. A current tariff guide lists 130 hotels in London; only two of these charge prices as high as the rates quoted in the comparative survey published on January 26. There are many thousands of good hotel rooms available in London at less than £25 per night. Why is no publicity given to these hotel prices and why is no attempt given to the wonderful value for money which hotel prices in the rest of Britain represent? You publish figures for Houston, Chicago and Los Angeles, why not Birmingham, Manchester and Glasgow to balance the picture?

The tourist industry is vital to Britain's prosperity. Its foreign earnings last year exceeded £3.5bn. All of us benefit from this success to some extent, is it too much to ask that it should be applauded from time to time, instead of being constantly talked down? Dennis Hearn, Trushouse Fort, 86 Park Lane, W1.

Paying for bed and breakfast

From the Chief Executive, British Hotels Restaurants and Caterers Association

Sir,—The FT in its survey last Saturday fell into the trap of basing its conclusions on a false premise; that because there are two international-class hotels in London which happen to charge £65.00 per night for "bed and breakfast," then businessmen from abroad regularly pay such amounts. They don't.

To base your cost survey on a norm of £65.00 per night is absurd. One could argue with equal logic—or rather illogic—that because a Rolls-Royce costs, say, £35,000 that the cost of British motor cars is the highest in the world, etc. With masterly understatement the FT does admit in the footnote to its table that London has "many good hotels adequate for the travelling businessman which are not as expensive." In fact, the majority of bedrooms, with bathrooms in London cost less than £25.00 per night. There are at least twenty excellent budget class hotels within a mile radius of Marble Arch where two people can stay, with breakfast, for £15.00 or less.

Of course London hotel prices have gone up in the last two years. But so have costs. For example wages (50 per cent), maintenance charges (67 per cent) laundry (48 per cent). Rates continue to rise and rate bills of £250,000 per annum for

centrally located hotels are common and I know of one which pays more than £400,000.

Despite such cost increases the hotel industry is doing its utmost to keep its prices down. Ill-founded comment and publicity does immense damage to tourism and makes our international competitors rub their hands with joy. Clive Derby, 13, Cork Street, W1.

Less expensive at the Savoy

From the chairman, Savoy Hotel

Sir,—In your survey of living costs, published on Saturday last, you quote £65.50 as the price of a single room and breakfast in London hotels, by which you must mean the leading London hotels; and you say that the "soaring cost of London hotel accommodation" makes London the most expensive city in the world in which to stay. Among the leading hotels of London, four of the most renowned are The Savoy, Claridge's, The Berkeley and The Connaught. In not one of these hotels is there a single room that, with continental breakfast, costs as much as £65.50, nor anything near it, and it remains very puzzling as to how this figure can have been quoted.

Unfortunately, information circulated around the world, which gives a false impression, however unintentional, does much harm to London and the nation's tourist trade. (Sir) Hugh Wootter, 1, Savoy Hill, WC2.

The Editor writes: The three London hotels chosen to represent the top grade of hotel were the Intercontinental, the Hilton and the Hyde Park Hotel. The average cost of a single room with bath is £62 including VAT and service, but excluding breakfast. The average cost of continental breakfast is £3.50. Obviously it is possible to find a comfortable and convenient hotel in London for less. Equally, it is possible to pay more.

Unpaid bills

From Mr. D. Jerome

Sir,—Neither Mr. Stera (January 18) nor Mr. Whitelands (January 28) in their letters regarding charging interest on outstanding accounts make reference to the Law Commission report published in June 1978. This report recommended to the Government that interest on unpaid bills should be recoverable as a right even though it may not have been provided for in the contract.

It is typical of Government and other bodies that this report has been ignored to the detriment of commerce and in particular to exporting when most European countries have had this legislation for many years. It would be of particular assistance to small companies in their credit dealings with major customers to ensure that accounts were paid to terms by being permitted to charge interest where slow payment occurs. At the present time, the courts have a discretionary power to award interest on overdue commercial debts even where there is no provision for interest in the contract terms. D. R. Jerome, British Mercantile Agency, 12-18, Station Road, Sidcup, Kent.

Today's Events

GENERAL

UK: Sir Hedley Greenborough, Confederation of British Industry president, meets Lord Carrington, Foreign Secretary. Iron and Steel Trades Confederation and National Union of Blastfurnacemen executive committee discuss strike action in private sector.

Water workers pay talks resume.

British Gas Corporation meets unions on pay offer.

Mr. John Biffen, Chief Secretary of the Treasury, speaks at Cockfield, Suffolk.

Mr. Mark Carlisle, Education Secretary, speaks at Burton-on-Trent, Staffs.

Mr. Norman St. John Stevas, Leader of the House of Commons, speaks at Longford, Middlesex.

Post Office and unions meet on industrial democracy.

Prince Charles visits General and Municipal Workers Union headquarters, Esher, Surrey.

Sir Peter Gadsden, Lord Mayor of London, lunches with the Master and Officers of the Upholders' Company, Savoy Hotel.

Exhibition of Valentines at Stanley Gibbons Gallery, Strand, (until February 29).

Overseas: West European

Olympic Associations discuss President Carter's Olympic boycott call, Frankfurt.

Victoria Falls road bridge between Rhodesia and Zambia reopens after seven years' closure.

International Boat Show opens Vancouver (until February 10).

PARLIAMENTARY BUSINESS House of Commons: Private Members' motions.

COMPANY MEETINGS Cardiff Malling, Angel Hotel, Cardiff, 12 Central Manufacturing and Trading, Midland Hotel, Birmingham, 12 Flexello Castors

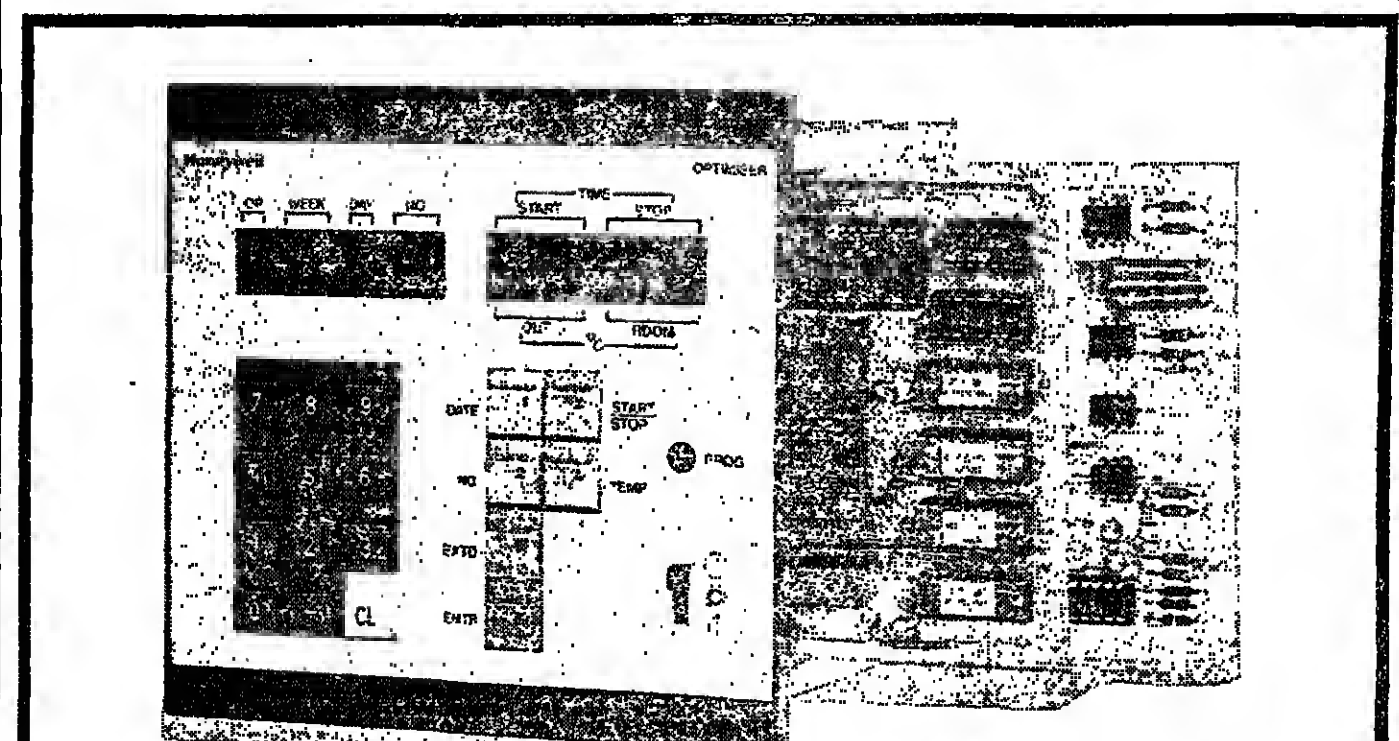
and Wheels, The Excelsior Hotel, Bath Road, West Drayton, Middx., 12 Vaux Breweries, The Seabrook Hotel, Sunderland, 12.

FINAL DIVIDENDS: Evode Holdings, Interim dividends: Rowland Gaunt, M. L. Holdings. Wholesale Fittings, Interim figures: Town and City Properties.

LUNCHEON MUSIC, London Organo recital by Michael Howard, St. Paul's Cathedral, 12.30.

Violin recital by Detlef Hahn, Guildhall School of Music and Drama, 1.10.

Trombone recital by Paul Nienman, St. Martin-in-the-Ludgate, 1.15.



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There follows a selected list of clients in the United Kingdom who have fitted Optimisers to new and existing buildings.

Atomic Weapons Research Establishment
British Aircraft Corporation
Barclays Bank
British Aerospace
British Broadcasting Corporation
British Gas Corporation
British Steel Corporation
Brent and Harrow Area Health Authority
British Mail Order Corporation Ltd.
Brunel University
Central Electricity Generating Board
Commercial Union Properties Ltd.

Courtauld's Ltd.
Cheshire County Council
City of Manchester Corporation
Co-operative Wholesale Society Ltd.
Crucible Theatre — Sheffield
Department of Health
Esso Research Centre
Evans Medical Ltd.
Food Research Institute
Greater London Council
GLC Schools
General Post Office
Great Western Stores
A.E.E. Harwell
IBM
Imperial Chemical Industries Ltd.
Isle of Man Government Offices
Leyland Motors Ltd.
Leeds Permanent Building Society

Lloyds Bank
Legal and General
London Borough of Croydon
Manchester Council (Greater)
Moore and Wright Ltd.
Manchester Polytechnic
Midland Bank Ltd.
Milk Marketing Board
Moor Research Institute
McCann Erickson
Norwich Union Insurance Group
National Computer Centre
Oxfordshire County Council
Oxford Regional Health Authority
Post Office Supplies
Property Services Agency of the Department of Environment
Pillington
Philips (Mullard)

Rio Tinto Zinc
Rush Green College
Rochdale Magistrates Court
Ryland White-Cross Ltd.
R.O.F. (Chorley)
Stockport Area Health Authority
Science Research Council
Statistics Society
Shell Chemicals Ltd.
Shell Company of Wales
Shell Mex and BP
Thameside Corporation
Triplex Safety Glass Ltd.
University of Sheffield
University of Reading
University of Liverpool
University of Southampton
University of Dundee
University of Bath

Honeywell

Blundell passes £2m mark and pays 4.8p

FOLLOWING the directors' mid-year expectations of a further increase, pre-tax profits of Blundell-Permaglaze Holdings, the paintmaking group, rose from £1.78m to £2.19m in the 12 months to October 31, 1979. At the half-way stage, the surplus was £689,217 compared to £603,436.

Another satisfactory result is anticipated for the current year, says the chairman, Mr. N. G. Bassett Smith. Regarding the steel strike, he remarks that the group's tin container stocks and the position of its suppliers suggest no real difficulties until perhaps the end of March, provided there is no major adverse development in the situation.

A final of 3.6p lifts the dividend for the year to 4.8p — last year's total was 3.6p including a special payment of 1.23p following the lifting of controls.

Turnover went ahead from £18.95m to £20.77m, and tax is lower at £894,598 (£813,492). Last year, there were minorities' profits of £14,161 and an extraordinary credit of £138,875, but there are none this time, and net profits have risen from £1.03m to £1.49m.

Stated earnings per 25p share are 23.4p, compared with 14.9p excluding the extraordinary credit. Dividends absorb £305,734 (£239,285).

comment

The strength of sterling and rises of around a quarter in prices of raw materials, notably

HIGHLIGHTS

Lex examines the deal in which Vaux has sold its Lorimer brewery in Edinburgh and 214 pubs in Scotland to Allied Breweries. Allied issued 29m shares to Vaux which went through the market by way of a vendor placing to realise £20.8m. The column also anticipates the reporting season for the high street clearing banks and ponders their vulnerability to an interest rate fall this year. Elsewhere, the stake in London Sumatra held by Harrison and Crossfield has crept up to 45.9 per cent. "W" Ribbles has sold its loss-making West German seat-belt subsidiary, profits from paint group, Blundell Permaglaze have improved, but annual profits from Hill and Smith have declined by over 16 per cent.

naphtha and titanium dioxide, have not impeded profits growth at Blundell-Permaglaze. Margins have been held abroad and improved at home, so the group has clearly managed to pass the rise on to its trade customers. Blundell is slowly expanding its market shares (volume sales were up around 2 per cent last year against a stagnant industry trend) and the balance sheet is strong, but this is hardly a growth stock. The only exciting area is building chemicals, which is still small and loss-making but is developing a new product with significant sales potential in the UK and Europe. This alone, however, is insufficient to warrant a more demanding price than the 4.1 offered on published earnings by yesterday's share price of 100p. The dividend has been increased by a third and is covered almost five times on historic earnings, to produce a yield of 7.1 per cent.

Textured Jersey expansion

TAXABLE PROFITS of Textured Jersey rose from £284,000 to £345,000 in the half-year to October 31, 1979, on increased turnover of £4.62m, against £4.21m. The directors of the Jersey knitted fabric manufacturer expect sales and profitability to exceed last year's level, when the pre-tax surplus reached £273,000. The net interim dividend is raised from 1p to 1.5p — last year's total was 3p. Tax for the half year took £126,000, against £88,000. Pre-tax profits were struck after depreciation of £120,000 (£129,000).

FIRST HALF loss was cut from £1.77m to £1.01m at Reardon Smith Line and the directors hold out the possibility of the company showing a profit, after depreciation, in the second six months of the current year. Because of forward commitments the group, which has been in loss for the past three years, was not able to take full advantage of the rise in freight rate levels during the half year to the end of September 1979.

Turnover for the half year was up at £11.22m, against £10.39m, but trading profit slumped to £288,000 (£1,06m). However, the sale of a ship produced £187,000 this time and investment income rose to £177,000 (£74,000).

Interest costs were down from £1.41m to £1.05m and the depreciation provision £712,000 lower at £797,000 but there was an exchange loss of £120,000 (gain £13,000). The results reflect the weakness of the dollar, increases in bunker costs, port charges, storing and in general running costs, the company says.

Forecasting a considerable improvement for the second half the directors say that, if there

is no material change in their assumptions, the group should show a profit after depreciation for the period. For 1979-80 the pre-tax loss was £2.06m after a £0.29m deficit in the second six months. Full benefit of the restructuring of assets over the past few years is now beginning to show a more stabilised position, and the Board says it can confidently look forward to the future with further development in Reardon's activities. Secured lenders have agreed to a further deferment of loan capital repayments until the end of 1980. Repayments will be resumed in 1981. In the meantime the company, has agreed to continue to pay only total dividend. Therefore, again there is no interim payment. Operating cash flow has been enhanced by the sale of the group's rig, because the rate of loan repayments on it were higher than the rate of depreciation and the fact that interest costs had increased since 1978.

NEW SYLHET

The status for tax purposes, of New Sylhet Holdings has been changed to "close company."

comment

Although still in the red, Reardon Smith's future looks

FNFC still owes £226m on loans from support group

DURING the current year, First National Finance Corporation has been able to remit a total of £56.6m to the support group which, after allowing for the impact of interest, has enabled the group to reduce the net amount borrowed by £24.96m, Mr. J. P. Glynn, chairman, tells shareholders.

"However, this still leaves the large sum of £226.43m outstanding," the chairman says.

As reported on January 11, the group reported a pre-tax profit after provisions of £21.63m against £17.85m and a net profit of £20.33m (£17.72m). The net profit has reduced the net deficiency for shareholders to £27.95m and the solvency margin has increased to £34.54m.

The property market generally was very active and enabled the group to dispose of a considerable amount of the portfolio and further reduce liabilities, the chairman says. The group has also been able to meet all the current interest due on the income and deferred loans and also the cumulative

arrears on the deferred loans so that interest payments are up to date.

The unpaid interest on the subordinated loan stocks now amounts to £5.26m and this only qualifies for payment when the criteria laid down in the re-organisation scheme are met.

Because of high interest rates, it has been considered prudent in the lending and property division to take account of an additional future cost of £1.2m in arriving at the net release in the year of principal provisions and suspended interest of £8.28m. After allowing for remaining net expenditure, pre-tax profit of this division amounted to £12.35m.

A circular is being sent to loan stockholders giving details of a proposed restructuring of the consumer credit division and holders' approval will be sought at meeting after the AGM. The group balance sheet shows current liabilities of £197.7m (£207.3m) including support group direct loans to the consumer credit division of £101.32m (£88.22m) and support group's income loans of £75.1m (£91.2m). Current assets of £218.97m (£225.55m) include loans, advances and other accounts of £188.6m (£201.81m) and properties held and in course of development, £20.91m (£11.30m). Touche Ross and Co., the group's auditors, have again qualified the accounts, referring to the uncertainty in regard to the group's future as a going concern and the uncertainties relating to the amounts stated in the accounts for loans, property assets and related tax. Meeting, Winchester House, 25, February 26 at 2.30 pm.

SINGLO PREF. CONVERSION

As a result of the conversion on January 30 of the outstanding balance of the 10 per cent convertible preference shares, the total issued ordinary shares of £197.7m is now £192.32m, comprising 19.17m ordinary shares of 10p each.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div. for year	Total last year
Asley Industrial Int.	1.2	April 8	1.2	2.3
Bank Leumi (UK) Ltd.	5.77	March 27	5.52	8.57
Blundell-Permaglaze	3.6	April 1	2.08	4.3
Garford-Lilly Int.	0.25	March 19	0.18	1
Hill and Smith	2.5	March 24	2.25	3.5
IoM Steam Packet	15**	March	11.5**	11.5**
Langston Ind. Hldgs. Int.	1.4	March 28	1.23	5.17
Langdale Universal	3.5	March 19	2.8	9
Leas Newmarket Int.	4.5	March 7	4.5	9
Rio Estates	0.56	April 8	0.53	1.39
Stoddard Hldgs.	1.5	April 1	2.35	3.25
Textured Jersey Int.	1.5	April 2	2.35	3.25
Warren Transportation Int.	3	April 2	2.35	3.25

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ To reduce disparity. No increase in final implied. § Including special payment of 0.35p. Forecast 6.5p final. ¶ Including 1.5p anniversary payment. ** Gross throughout. Includes 4p bonus. †† Includes 14p bonus.

Second half rise at Hill & Smith

SECOND HALF profits of Hill and Smith, the steel and engineering group, show the expected increase over the £309,987 achieved in the first six months, although the year's total of £880,138 still falls short of the £1.05m in the previous year.

The directors say first half results — down from £451,529 — were affected by the transport strike and the second six months suffered from the engineering dispute. Trading in the first four months of the current year has been better, they add.

Stated earnings per share are 14.23p against 17.04p but a final dividend of 2.5p lifts the total from 3p to 3.5p. A one-for-10 scrip issue is also proposed. Dividends absorb £174,800 (£144,294) after £41,704 (£35,490) waivers by certain directors and their families.

Turnover for the year amounted to £16.07m compared with £14.35m. There is no tax charge as the full liability will be erased by stock appreciation relief and accelerated capital allowances.

Non-recurring losses involved in the closure of two companies in the contracting division, amounting to £179,531 have been treated as an exceptional item.

Subject to an early end to the steel strike with no major disruptions, the directors are confident of resuming the pattern of annual profit growth this year.

comment

The drop in pre-tax earnings at Hill and Smith was almost inevitable but the gloom throughout the engineering sector had been just a trifle too general and the shares climbed 6p yesterday to 50p. Hill and Smith has experienced steady profits growth since it went public in 1969 and should resume such progress in

the current year. Last year's earnings were dampened by the road haulage strike in the first half and by the engineering dispute in the latter six months. The cost of these two strikes may have come to about £250,000. But the group entered the steel strike with three-fourths of stock a situation which has been beneficial so far. If the steel strike extends more than another month, though, the pinch will be felt. The dividend, as earlier predicted, is raised to 3.5p, where it yields over 10 per cent and is covered four times. The p/e on stated earnings is 3.4.

Portsmouth Sunderland well up

WITH third-quarter profits improving from £0.83m to £1.8m, the taxable surplus of Portsmouth and Sunderland Newspapers advanced to £3.13m in the 39 weeks to December 29, 1979, compared with £2.23m last time.

Turnover increased from £10.53m to £14.08m. After tax of £1.6m (£1.14m), stated earnings per 25p share are up from 9p to 12.7p. Attributable profit came through higher at £1.53m, against £1.08m.

On a CCA basis, the attributable balance would have been £725,000 (£830,000), and stated earnings, 6p (6.8p).

Historic pre-tax profits reached a record £2.83m for the 1978/79 year.

Gilgate accounts come in for heavy qualification

Gilgate Holdings, the property and insurance group which is the subject of a major Department of Trade investigation and has been studied by the Take-over Panel, yesterday published its report and accounts for the year to June 30, 1978.

The report of the new auditors, Blair Saunders, which accompanies the accounts, runs to two full pages and contains 11 points of qualification. As a result, the auditors say, they "are unable to form an opinion whether the accounts give a true and fair view" of the company.

The auditors' report, which is dated July 26, 1979, covers a number of transactions in which directors have personal interests. It also discusses potential liabilities arising from winding up petitions by the Department of Trade for a number of subsidiaries.

In addition, the auditors have been unable to obtain "satisfactory independent corroborative evidence" of the directors' valuation of group properties said by the directors to be worth £1.1m. They are also unsure whether further provisions should be made against investments in and debts due from subsidiaries which are shown at a book value of £1.04m.

Mr. John Duncaio Kidd, the chairman, comments briefly on the auditors' qualifications in his statement. He also apologises for the delay in preparing the accounts for 1979. In part

this is due, he says, to the fact that the company is "strenuously" contesting the winding up petitions from the Department of Trade.

Mr. Kidd does not refer to the fact that last May the Take-over Panel concluded that "persons acting in concert have incurred an obligation" to make a bid for Gilgate at 8.75p but that the persons "principally concerned" had told the Panel they "do not accept that conclusion."

The accounts do reveal that 36 per cent of Gilgate's shares are owned by three related companies, Highdash, Growth and Secured Life Assurance and National Investors Life Assurance, together with Mr. M. W. Pote.

Mr. Kidd, Mr. David James and Mr. Christopher Reynolds, all directors of Gilgate, have interests in companies which in turn control the three companies concerned.

Two of the companies, Growth and Secured and National Investors, together with Mr. Reynolds, were recently found guilty at Maldenhead Magistrates' Court of making loans to Gilgate, a connected company, contrary to the insurance companies acts. They are to appeal against the convictions.

In a separate pending case in the High Court, the Department of Trade is seeking to have Mr. Kidd, Mr. Reynolds and Mr. Lucas barred as directors.

Meanwhile the board has called the annual meeting for

February 22 at the Connaught Rooms, London, W1, for 12 noon. Among the resolutions are those to re-appoint Mr. Lucas and Mr. J. G. Bleyer who retire by rotation.

Shareholders will be asked to accept the 1978 accounts which reveal pre-tax losses of £135,000 compared with a profit of £10,000 the previous year, on turnover up from £250,000 to £1.46m. After tax and extraordinary credits, attributable losses are £58,000.

A transfer to capital reserves of £75,000 increased retained losses to £131,000 which were transferred to revenue reserves. The various matters relating to the 1979 figures still outstanding, "it is difficult to forecast the effect on the profitability or otherwise on the company during the year to June 30, 1980."

Newmark passes £1m at halfway

PRE-TAX profits of £1.11m against £983,000 are reported by Louis Newmark, electronic and precision engineer and watch distributor, for the six months to September 29, 1979.

Stated earnings per 25p share are 17.4p against 15.4p and the directors are declaring an interim dividend of 3.5p (3p) — last year's total was 9p from pre-tax profits of £1.98m.

Tax for the first half was £577,000 against £511,000. No allowance has been made in respect of stock appreciation and excess capital allowances. Depreciation charged amounted to £227,000 (£192,000).

Mr. G. L. Newmark, the chairman, says that results for the first three months of the current year have been satisfactory, and were it not for the current national industrial unrest, the Board would have been forecasting substantial increased profits to line with inflation.

Bank Leumi progress to £340,000

With further progress in its business, particularly in deposits, loans and advances and the number of accounts, Bank Leumi (UK) Ltd. has reported for the first three months of the current year a threefold increase in profits to £340,000 in 1979. The result is shown after tax and transfer to inner reserves.

The directors of the bank, which is a subsidiary of Bank Leumi Le-Israeli EM, point out that the profits reflect the general progress although the bank did not have the benefit of increased capital from its one-for-two rights issue until September. At 5.78p net final dividend raises the total to £5.88p (8.2p) per £1 share, which absorbs £229,040 (£164,000). Retained profit emerged higher at £110,990 (£36,400).

At year end capital and reserves stood at £5.63m (£4.44m) and subordinated loans amounted to £3m (£2m). Also current deposit and other accounts had reached £181m (£139m) and total assets £181m (£158m).

The new branch opened at Gants Hill, Hford, this year has made a good start, the directors say.

CHILD HEALTH RESEARCH

Child Health Research Investment Trust announces that subscription lists for the ordinary shares being offered will open on February 5, not February 10 as previously announced.

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED

(Incorporated in the Republic of South Africa)

Interim Report for the Half-Year ended 31 December 1979

FINANCIAL RESULTS

The unaudited estimated consolidated financial results of the Company and its subsidiaries for the above period are as follows:

Year ended	Half-year ended	Half-year ended
30 June	31 December	31 December
1979	1978	1978
R000	R000	R000
8 852	Turnover	5 926
7 253	Profit before taxation	4 714
257	Taxation	238
7 246	Profit after taxation	4 476
10	Attributable to outside shareholders of subsidiaries	70
7 236	Preference dividends	4 466
109		55
7 127	Profit attributable to ordinary shareholders	4 411

Earnings per ordinary share: — including profit on realisation of investments 45.6 cents 24.6 cents — excluding profit on realisation of investments 39.9 cents 20.0 cents

DIVIDENDS PAID OR DECLARED DURING THE HALF-YEAR Preference dividend No. 15 amounting to R55 000 (1978—R55 000) was paid for the half-year on the 8 per cent Redeemable Cumulative Preference shares.

Final ordinary dividend No. 51 of 22.5 cents per share amounting to R2 177 000 for the year ended 30 June 1979 (1978—15 cents—R1 451 000) was declared in June and paid during the half-year. Interim ordinary dividends No. 52 and 53 of 6 cents and 14 cents per share respectively totalling R1 935 000 (1978—12.5 cents—R1 548 000) were declared in December 1979 payable in February 1980. The declaration was split in order to avoid any liability for undistributed profits tax.

INVESTMENTS

The market value of the listed investments of the Company and its subsidiaries at 31 December 1979 was R125 799 000 (1978—R58 062 000) compared with a book value of R19 264 000 (1978—R17 341 000). The book value of the unlisted investments of the Company and its subsidiaries at 31 December 1979 was R7 806 000 (1978—R9 032 000).

For and on behalf of the Board Basil E. Herscov W. F. Thomas Directors

Registered Office: Anglo-Transvaal Trustees Limited, 295 Regent Street, London W1R 8ST

B.A.T Industries

Second Interim Report: Twelve Months to 30 September 1979

Group Results (unaudited)

	Twelve Months to:	30.9.79	30.9.78	Change
		£ millions		
Turnover	6,672	6,676	—
Trading profit	446	438	+2%
Investment income	56	61	-8%
Operating profit	502	499	+1%
Interest paid	74	66	+12%
Profit before taxation	428	433	-1%
Taxation	184	189	-3%
Profit after taxation	244	244	—
Minority interest	24	25	-4%
Net profit attributable to B.A.T Industries Ltd.	220	219	—

Analyses by Industry

Turnover		3,975	4,474	-11%
Tobacco	1,559	1,412	+10%
Retail	661	497	+33%
Paper	176	153	+15%
Printing & Packaging	301	140	+115%
Other activities	6,672	6,676	—
Operating profit	316	350	-10%
Tobacco	34	24	+42%
Retail	51	49	+65%
Printing & Packaging	14	12	+17%
Other activities	57	64	-11%
	502	499	+1%

Taxation comprises:

Net U.K. corporation tax	27	29
Overseas taxation	157	188
	184	189
Deferred taxation	—	1
	184	189

Total taxation as a proportion of profit before taxation 43.0% 43.6%

Change of Year End

As already announced the Group's year end has been changed to 31 December. This unaudited interim report therefore covers the twelve month period to 30 September 1979 and the next audited accounts will be for the fifteen month period to 31 December 1979.

Dividends

The Directors today decided to pay on 1 April 1980 a third interim dividend out of the profit for the twelve months to 30 September 1979 at the rate of 6.50p per share on the Ordinary Shares together with a special interim dividend at the rate of 5p per share out of the profit for the three months to 31 December 1979 payable on the Ordinary and the Deferred Ordinary Shares.

To maintain the rights of both the Ordinary and the Deferred Ordinary Shareholders the third interim dividend and the special dividend referred to above have been declared in lieu of a final dividend for the fifteen month period to 31 December 1979.

The Deferred Ordinary Shares will automatically be converted to Ordinary Shares on 20 June 1980, the date of the Annual General Meeting.

Transfers received in order by the Registrar of the Company up to 29 February 1980 will be in time to be passed for payment of the third and special interim dividends.

The three interim dividends in respect of the twelve months to 30 September 1979 represent an increase of 19.4% over the comparable dividends of the previous year as illustrated below:

Dividends per 25p Ordinary Share	1979	1978	Increase
1st interim dividend paid 2 April 1979	4.84p	4.40p	+10%
2nd interim dividend paid 1 October 1979	6.00p	5.00p	+20%
3rd interim dividend payable 1 April 1980	6.50p	—	—
Final dividend 1978	—	5.12p	+27%
	17.34p	14.52p	+19%

Special interim dividend payable 1 April 1980

(payable also in respect of 25p Deferred Ordinary Shares)

5.00p

Total dividends for 15 months to 31 December 1979

22.34p

Impact of Exchange Rates

The results of overseas subsidiaries have been translated into sterling for the purpose of this report at rates of exchange ruling on 31 December 1979. Comparative figures have been translated at rates ruling on 30 September 1978. Over the intervening period sterling strengthened against most currencies with a consequent adverse effect on the sterling figures

Companies and Markets

REPORTS TO MEETINGS

Borthwick criticised over compensation payment

BY BEG VAUGHAN

THE BOARD of Thomas Borthwick and Sons was criticised at yesterday's annual meeting over the payment of £25,000 compensation to Mr. David Borthwick, managing director, who resigned from the Board last September over policy differences.

At a packed meeting, complaints were made about the size of the payment to Mr. Borthwick, who had served on the Board for only two years. A holder said he felt it reflected very badly on the chairman and on the Board that this situation had come about.

Mr. Borthwick, the chairman, explained that legal advice had been taken over the payment, which had been arrived at on the basis of Mr. Borthwick's service agreement.

De Borthwick reported that group results were ahead of target in the first quarter of the current year. In the main-stream meat business, there were no unexpected features, while in the retail butchery operations in France and England "encouraging results continued".

With the purchase of the Williams retail butchery chain from Booker McConnell—which the chairman described as a "cherry" operation—the Mathews (Butchers) offshoot now had 230 shops in the UK.

For the group as a whole, the chairman said there was every indication that the current year's results would be satisfactory.

Concern was expressed by one shareholder over the position of Freshbake. She wanted to know if the group had considered disposing of this subsidiary, which had made heavy losses. Dr. Borthwick said Freshbake had been operating in very difficult markets but there had been a big improvement and the company was now breaking even.

Dr. Borthwick said later that the British and French retailing chains were moving ahead strongly. He estimated that the retailing side of the business would increase its profit contribution to around 50 per cent of the group total in the current year, compared with 20 per cent in 1978-79. He expected this percentage to increase further in the future.

The chairman said the group planned to maintain its main meat business but it aimed to build up a strong retailing base to counteract the cyclical nature of meat.

The group was about to complete the acquisition of the James Blue Group, which operates 17

retail butchery shops in north-west London, and the chairman revealed that the group was in talks with another retail concern.

Dr. Borthwick said the plan to establish a joint venture company in New Zealand was progressing very well. He expected this venture, which involved the re-opening of slaughtering and processing facilities, to contribute very significantly to group profits. It would also enable borrowings to be reduced.

BROCKHOUSE

Profits of Brockhouse were lagging behind this time last year and would continue to do so until the group and its customers could get back to normal, said Mr. R. J. H. Parkes, chairman.

The current year had started with the engineers' strike and its effects continued through October and November. Some improvement started to come through in December and January but then the group was faced with a steel strike.

Even when the steel strike was settled, he added, the "knock-on" effect would be felt for some time.

Naturally, orders on hand in the steel division were down. But in value terms, the overall order book was in advance of this time last year.

He said that, given a similar level of activity to last year, the directors estimated that the group's profit would increase by some £400,000 this year. Current interest rates would increase costs by about the same amount.

Overseas companies were performing very well, particularly in North America. The group had strong order books and the chairman was confident the year would show further progress.

He added that negotiations were continuing with the appropriate ministry in Iran over escalation payments due to the group on its grain silo contract. The outcome was uncertain.

MATT. BROWN

The performance of Matthew Brown and Co. so far this financial year was satisfactory, although very slightly less than had been sold than in the same period last year, Mr. C. J. Ainscough, chairman reported.

Recent beer price rises had restored margins. But increased sales costs and competition were expected to restrict hoped-

for profit improvements, both at the half-way stage and at the year-end, to more modest proportions than last time.

RHM GROWTH

The current half-year to March should show considerably improved profits over the corresponding period last year, Mr. Joseph Rank, chairman of Ranks Hovis, McDougall, told shareholders. But he cautioned that the improvement was subject to "no unforeseen problems" occurring. Interim pre-tax profits totalled £14.4m last year.

The year to September 1979 had been difficult owing to "strikes and government legislation," said Mr. Rank, and he welcomed the demise of the Price Commission and the "favourable" policies of the present Government.

Replying to questions about RHM's Wessex Finance Corporation subsidiary, Mr. R. G. Rogers, finance director, agreed that its profits had been "disappointing." Wessex made £84,000 last year against £61,000.

In view of the continuing difficult climate for finance companies, Mr. Rank said, "if we were thinking of disposal (of Wessex), now would hardly be the time to do it."

HAYS WHARF

Sir David Burnett, chairman of the Proprietors of Hays Wharf, reported that the favourable trading conditions experienced in the second half of last year had continued into the first quarter of the current period and, despite losses in Belgium, profits were in excess of those of last year.

Results from the Belgium-based companies remain unsatisfactory and their future was receiving the close attention of the Board.

He said shareholders may have noticed a recent rise in the Press to the purchase by English Property Corporation of about 21 acres of land from Renslade Investments (London). This land, he added, was originally assembled by an agreement with Hays Wharf (now expired) and represented an important part of the land in the Tooley Street area not owned by Hays Wharf.

Discussions relating to the future of this area were continuing with English Property Corporation in place of Renslade.

during the year to 30 September 1979 without yet having fully benefited from the MacMarkets acquisition.

The Argos catalogue showroom business was acquired in May 1979 but because of its seasonal nature had little effect on the results to 30 September 1979.

Paper

Both the U.S. and Brazilian results were particularly affected by exchange factors; adjusting for these, turnover would have been £81 million higher and profit some £5 million higher.

Appleton, in the U.S., has been included for a full year which accounts for over half of the increase in profit. The performance of this business has exceeded expectations and it is maintaining its position in a strongly growing market.

In the U.K., total sales volumes of the paper manufacturing businesses showed general improvement, as also did profits despite continuing competitive pressures, including import penetration, disruption from the countrywide industrial action in February and the adverse effects of the severe winter. In particular, excellent results were achieved by fine papers division. The Fort William pulp mill continued to make losses. There was further growth in exports of Wiggins Teape products despite the adverse effects of the strengthening of sterling against major currencies.

In Europe, there were substantial increases in both sales and profits for all businesses. The Belgian based *Idem* results were particularly outstanding with sales reaching record levels. The merchandising and distribution businesses also had a successful year with increased profit.

There was general improvement in operations elsewhere in the world, including Brazil where trading was strong, although profit was adversely affected when translated into sterling.

Printing and Packaging

On 8 November 1979, the Group purchased Imperial Group's 50% interest in Mardon Packaging International for £87.8 million. For the 12 months to September 1979, MPI has continued to be treated as an associated company and therefore the turnover and profit included in this report and above opposite comprise only the Group's 50% interest.

MPI's turnover increased by 15%, whilst operating profit rose 17% in spite of adverse exchange movements. The U.K. and European operations again improved their results and the folding carton businesses in particular had a good year. Flexible packaging again showed excellent results and the Cundell group also performed well in its second year of MPI ownership.

In Canada, results were adversely affected by a regional strike of litho printers but the graphics and forms businesses and the flexible packaging operations in the United States performed well.

Other Activities

The increase in turnover is largely due to the inclusion of the Pegulan home improvements business in Germany, which became a subsidiary during the year. Of the operating profit of £57 million Pegulan contributed £10 million and Cosmetics £8 million, the latter reflecting a continuing improvement. The remaining £41 million was mainly income from short and medium term investments.

Expectation for the 3 months to 31 December 1979

Tobacco product sales volume in the quarter to December 1979 was running slightly ahead of that of a year earlier and operating profit was being maintained despite the squeeze on margins through the continuing rise in costs.

Retailing in the U.S. had a better Christmas season than in 1978 and paper and printing and packaging maintained, in most areas of their activity, the levels of performance achieved in the first nine months of 1979 although there has been some patchiness in the U.K. reflecting the more difficult general economic environment.

Overall, it is expected that operating profit in the last quarter of 1979 will at least match that of the last quarter of 1978.

The results for the whole fifteen months to 31 December 1979 will be translated at the rates of exchange ruling at that date.

30 January 1980

UK COMPANY NEWS

Second half downturn hits Lonsdale Universal

A REVERSAL in the second half depressed taxable profit at Lonsdale Universal from a peak of £1.62m to £1.45m for the year to September 30, 1979. All divisions reported narrower trading margins although the two major activities of office equipment and stationery and printing achieved record profits.

Midterm the group surplus has been almost £100,000 to £94,000 and the company said that while there was some uncertainty in parts of its trading areas, it expected to maintain current trends for the full year.

The decision to withdraw from departmental store retailing is reflected in lower sales but the stores side with one store being closed during the year.

Current negotiations for sale of the group's remaining stores are likely to be completed over the next three months. This should release more than £1m towards reduction of borrowings.

Though current national conditions are beginning to affect an otherwise satisfactory start in the new trading period, Lonsdale expects to maintain trading progress to 1979/80 and to benefit from the lower borrowing. For 1978/79 interest costs jumped from £362,000 to £394,000.

After tax, little changed at £364,000 (1978/79); stated earnings per 25p share for the year were down 1.92p to 11.9p. The net total dividend is effectively

stepped up to 5.1729p (4.1383p) by a 3.5029p final.

Group sales were £6.62m higher at £36.71m, and the surplus was struck after management costs of £127,000 (£115,000) and £316,000 (£302,000) depreciation.

Attributable profit came out at £111,000 (£111m) after ordinary debits.

Comparatives have been adjusted.

The bookselling sector did well overseas during the year but UK profits were lower due to the public library spending and some dislocation from a move to larger premises, the directors add.

● Comment

Lonsdale sees continued buoyancy in most of its major markets and expects recent expansion to start bearing fruit. 1980 can probably be regarded as a year of consolidation.

In gearing terms, at least, a pause for breath will be welcome. The sale of the remaining elements of the department store retailing chain, probably within the next three months, will realise approximately book value or between £1m and £1.5m and the proceeds will be applied in overdraft reduction.

Gearing exceeded 70 per cent at the balance sheet date. The squeeze on margins, principally responsible for the 10 per cent reduction in pre-tax profits, has not

apparently worsened in the current year and with lower interest costs in the second half of the current year Lonsdale should be in a position to resume growth. The dividend should thus be in no particular danger although, if a yield of 13.6 per cent looks somewhat over-defensive at 88p, a fully taxed historic p/e of 7 is about right.

Hensher ahead in first half

IN LINE with the year-end forecast, pre-tax profits of Hensher (Furniture Trades) rose slightly from £41,663 to £39,879 in the six months to September 30, 1979.

The surplus was struck after investment income and interest receivable of £36,540 (£32,319), associates' profits, including profits from joint ventures with non-associated companies, of £65,045 (£59,992) and net receivable rents of £69,827 (£44,026).

Turnover was virtually static at £2,94m (£2,86m) and after tax profits of £20,550 (£17,000), stated earnings per 10p share are 3.9p (3.4p).

A single dividend of 2.5p net was paid last year on total pre-tax profits of £580,333 (£610,550).

Similar year at Warren Plants

ALTHOUGH FIRST-HALF 1979 taxable profits were well down at £0.74m, against £1.7m, the directors of Warren Plantation Holdings say the shortfall has been recovered in the second six months. Despite the strength of the pound which has reduced results in sterling terms, management accounts say that full-year profits were in excess of those of the previous year's £5.8m.

Turnover for the half-year improved from £11.78m to £12.32m—interim results have been produced for the first time in line with the group's continued expansion and development.

The net interim dividend is stepped up by 23 per cent from 2.345p to 3p per 25p share and the directors anticipate recommending a final of 6.5p (5.905p).

The principal change to subsidiaries' results during the period was the poor performance from India, caused by very low tea production due to drought and lower profit on sales

of tea stocks brought forward at the beginning of the year.

However, there were improvements in the UK and Indonesia showing the benefits of the diversification policy. In the UK, the first time inclusion of Joseph Mason helped to offset other increasing expenses, while in Indonesia, higher revenue, arising to some extent from the 1978 devaluation, resulted in a substantially improved contribution.

With half-yearly operating profits of Joseph Mason up from £325,000 to £518,000, the problems of the harsh winter and the engineering strike in the first quarter's trading were overcome satisfactorily. The advance has continued in the following six months and the directors have sanctioned the commissioning of a new 10-tonne plant to increase resin production at Derby.

Assess' contribution fell from £6.62m to £5.35m due to the performance in Kenya where prices and crops were

below previous levels.

Tax charge for the six months was £0.31m (£0.59m) and after minorities, attributable profits decreased from £0.65m to £0.41m.

For 1979, the company's tea crop in Upper Assam was down some 10 per cent on last time due to the severe drought which hit the early part of the year. In other tea areas, crops were similar to 1978. The directors say prices have been disappointing but have improved recently, and the group's concentration on medium and high quality tea production means that the outlook is encouraging.

There was a material increase in its 1979 coffee crop although weather conditions during the year were not entirely satisfactory. The world price for this commodity remained firm during the year.

Despite the continued replanting programmes only a small rubber crop reduction was experienced, which was more than offset by an encouraging increase in oil palm fruit. World prices for these two commodities continue to provide the group with healthy profit margins.

A share option scheme for senior executives is to be proposed at an EGM on February 18.

The plastics and woodwork divisions did well but progress may not be maintained in the second six months because of unsettled conditions particularly in consumer trade.

The board declines to give a profit forecast but hopes the steady trend of progress shown in recent years will be maintained.

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Tate and Lyle still cautious

IN his report to Tate and Lyle shareholders, Lord Jellicoe, chairman, says the board is committed to pursuing vigorously programmes of action to restore the group to a more satisfactory level of profitability.

But he again warns shareholders not to expect any material improvement in overall performance in the near future.

It must also be kept in mind that the current year has started with a further surge in the cost of money and energy "and with a particularly turbulent international political scene," Lord Jellicoe states.

Much will also hinge on other factors largely outside the group's control. In particular, the profitability of UK sugar refining depends on the terms of the new EEC sugar regime.

The chairman says that in general the group welcomes the EEC proposals and if implemented, these proposals should open the way for the EEC to join the International Sugar Agreement "and curb the Community's wasteful and costly over-production of beet sugar."

The level of beet quota reductions which has been recommended is, in the board's view, realistic and will allow refined cane sugar to compete on a fairer terms, the chairman adds.

For the year ended September 30, 1979, the group reported pre-tax profits of £26.2m, against £24.6m, but the rise owed much to the inclusion of exceptional credits of £5.8m (£1.8m debit).

The higher interest rates in 1979 will continue to affect the group in the current year.

The proceeds from asset disposal and minor share control of working capital have enabled capital expenditure of £25m to be financed from internal resources. At the year-end net group borrowings were £56m against £115m a year earlier. However, some increase is likely in 1980.

CCA profit is reduced to £1.1m

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after adjustments including cost of sales, £8.6m, additional depreciation, £9.1m and gearing, £5.5m. There is a net loss of £5.2m after tax of £11.6m.

The accounts also show a £50,000 payment to a former director. The group contributed £15,375 to the Conservative Party and £97,143 to UK charities.

Meeting, Europa Hotel, W. February 25 at 11.30 am.

Armour up to £253,000 midway

PRE-TAX profits of Armour Trust, industrial holding company, improved by £24,000 to £241,000 in the six months to October 31, 1979, from turnover higher at £3.1m against £2.89m. Profit attributable increased from £215,000 to £253,000. There was again no tax charge.

No interim dividend is payable and the board believes that in current circumstances it is prudent to continue to build up reserves. A higher final dividend — last year's final was 0.1p — will be recommended.

Mr. C. R. Lambourne, the chairman, says the company's profitability continues to improve and the Carter Penguin offshoot traded satisfactorily during the six months. A modest increase in its profits for the year is anticipated despite the competitive nature of the confectionery industry.

An agreement between Telestar and Distributors Finance was signed in September and its benefits to the group will accrue in the future.

Pre-tax profits for the last full year amounted to £273,000 from turnover of £7.5m.

BAT subsidiaries report

TWO SUBSIDIARIES of BAT Industries have reported results for the 12 months to September 29, 1979. At International Stores there was a £5m turnaround to a profit of £120,000 at the trading level, while Wiggins Teape Group pre-tax profit rose by some £10m.

Taxable losses of International Stores deepened from £1.05m to £2.51m, after interest of £2.62m (£3.51m) and net surplus on rationalisation transactions of £1.93m (£7.79m).

At midway, there was a turnaround from a £3.45m profit to a £1.15m loss.

Twelve months' turnover improved from £143.15m to £167.76m. After tax credits of £0.47m (£5.44m), there was a net loss of £1.74m, compared with profit of £3.78m.

The figures include a £2.2m loss on the wholesale division, which was sold on December 29, 1979.

Wiggins Teape Group, paper-

maker, pushed up taxable profits from £33.7m to £41.43 for the period on increased turnover of £513.55m, against £491.01m.

The pre-tax surplus was struck after interest of £10.05m (£9.18m) and provision for improved pension of £1.22m (£0.65m), but includes interest income of £2.2m (£1.82m).

At the six-months stage, pre-tax profits were marginally higher at £3.76m, compared with £3.06m.

The tax charge for the period of £14.23m (£13.72m) is mainly overseas, no UK tax being payable because of relief for stock increases and capital expenditure.

Wiggins Teape, a subsidiary, turned in pre-tax profits of £5.97m (£5.32m) on turnover of £187.47m (£185.8m).

The results reported are second interim figure, the year-end having been changed to December 29, 1979.

LONGTON

INDUSTRIAL HOLDINGS LIMITED

(Previously Longton Transport (Holdings) Limited)

INTERIM REPORT (UNAUDITED)

	Half year ended 30.9.79	Half year ended 30.9.78	Year ended 30.9.78
Turnover	£200,000	£200,000	£200,000
Profit before taxation	942	324	1,654
Profit after taxation	738	545	1,511
Interim dividend per share	1.4p	1.25p	5.0p*

*Includes the 0.5p special dividend

All divisions in the Group showed increased profits in the half year to 30th September, 1979 as compared with the same period last year. This improvement has been maintained during the last quarter of the calendar year 1979.

Provided the Group is not adversely affected by events beyond our control an improvement in trading results as compared with the previous financial year can be expected.

Wiggins Teape Group, paper-

Wiggins Teape Group, paper-

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Group Overview

Operating profit for the twelve months to 30 September 1979 showed only a small improvement

MINING NEWS

Prices of larger gems to rise by 12%

BY KENNETH MARSTON, MINING EDITOR

DIAMOND prices are to rise again, but only those of the larger stones of one carat and above marketed by De Beers' Central Selling Organisation on behalf of the South African group and other producers—about 85 per cent of world production.

As usual, no details of the increases are disclosed, but they will take effect from the February 18 sight (selling) occasion, of which there are 10 a year and will vary according to quality and size. The effect will be of an overall increase in all rough prices of 12 per cent.

The previous average price increase was of 13 per cent in Sep-

tember of last year and, before that, of 30 per cent in August, 1978. A lower volume of rough diamonds was sold last year because, despite the effects of these price increases, CSO sales rose only slightly to a record \$2,590m (£1,160m) from \$2,550m (£1,150m) in 1978.

The latest CSO price increase reflects the fact that while the market for the larger and better quality diamonds has remained good, a heavy surplus—guessed in some quarters as being as much as \$30m worth—of smaller stones has accumulated.

As far as De Beers earnings are concerned, the overall cooling of the diamond market in 1979 may have been offset by the group's important gold income,

but only a modest increase of about 5 cents (2.7p) to 70 cents is expected in the 1979 dividend total; the past year's results are due in the second week of March.

The latest diamond price increase brightens prospects for the current year and there is a good chance that the relatively attractive prices of small diamonds—they have fallen some 25 per cent from last year's peak—could attract a revived demand and allow the group to take profits on its stocks.

In addition, De Beers is heading for a fresh increase in its gold dividend income. Yielding 8 per cent on a three times covered dividend at the current price of 46p, the shares are now looking more attractive.

Seltrust gold hopes boosted

LATEST exploration results from the Griffin Find in Western Australia show that Seltrust is providing up what is likely to be a useful extension of its gold interests.

Selection Trust's Australian unit, Seltrust Mining, is drilling at Griffin to earn 60 per cent of a joint exploration with Otter Exploration.

Gold mineralisation is present in a lens about 300 metres in length and up to 10 metres in width. Seltrust said yesterday its latest quarterly report. The host rock is weathered down to about 25 metres and gold values continue in the rock below.

Work to estimate the ore reserves is going ahead for use in a feasibility study. But the exploration looks as if it has gone sufficiently far for the group to consider making a decision about possible production by the end of the year.

In the three months to December, Seltrust completed 65 reverse circulation rotary percussion holes, intersecting gold at depths down to 40 metres and seven diamond drill holes, intersecting gold at depths down to just over 104 metres.

The best results from the intersection drilling were an intersection over 39 metres grading 6.2 grams of gold per tonne of ore, another over 36 metres grading 5.6 grams and a third over 10 metres grading 7.0 grams. In one of the diamond drill holes there was an intersection over 10.35 metres grading 8.5 grams. Clearly any future operation at Griffin would be small by South African standards. But it would

nevertheless be a useful addition to a group of Selection Trust's size, having the considerable benefits of a relative modest capital demand and the promise of a fairly quick cash flow.

In London yesterday, Selection Trust shares fell 4p to 69½p, while Seltrust "A" shares were unchanged at 196p. Other shares fell at one stage to 75p but rallied to close unchanged at 81p.

White: buying spurt prompts inquiry

THE Sydney Stock Exchange has asked the directors of White Industries, the New South Wales coal producer, if they have information to explain sharp movements in the company's shares after hectic trading yesterday.

The shares rose AS\$ to AS15 (73½p), making a jump over two trading days of AS7. In mid-December the shares were AS8.

Yesterday more than 1.1m shares, or 11 per cent of the issued capital, were traded. Sudden buying of White shares erupted after reports that Mr. Alan Bond, the Western Australian businessman, was interested in building up what is believed to be his stake in the company through the purchase of the 25 per cent interest held by Mr. Kerry Packer's Consolidated Press group.

Consolidated Press first

bought into White in late 1978. But spokesmen for both the group and for Bond Corporation denied any arrangement over the White shares or involvement in the market activity of the last two days.

There has also been speculation that Mitsubishi, which holds 3 per cent of White and 40 per cent of White's proposed Ulan development, has been buying the shares, but local spokesmen for the Japanese group said they had no knowledge of any activity.

The White directors have been asked to reply to the Stock Exchange queries today. They have been asked whether there are any important matters pending, whether they suspect insider dealing and whether they are aware of any person who has been dealing in the stock since December 1.

EARNINGS SURGE AT MIDDLE WITS.

Middle Witswatersrand (Western Areas), the mining finance subsidiary of South Africa's Anglo-Transvaal Consolidated, posted net profits 85 per cent to R4.4m (£2.35m) in the six months to December from R2.8m in the same period of 1978, it was announced yesterday.

The rise reflects mainly the higher dividend flow from its holdings in precious metals stocks. Middle Wits has interests in, among others, Blyvoor, Bafeloetsfontein, Hartbeestfontein, Vaal Reefs and Rustenburg Platinum.

NEWS ANALYSIS—VAUX SCOTTISH SALE

Surprise move makes sense for both sides

BY JOHN MAKINSON

THE ANNOUNCEMENT that Allied Breweries was buying Lorimer's, the Scottish brewing subsidiary of Vaux, took competitors and shareholders by surprise. Yet, with hindsight, the move makes clear sense for both parties.

Allied is strengthening its Scottish presence to attack the dominant brewers in the area—Scottish and Newcastle and Bass—while Vaux is picking up a handsome price for a subsidiary which has produced an unsatisfactory return on capital and last year barely broke even after interest charges.

Under the terms of the agreement, Ind Coope, the Allied subsidiary, will receive 214 pubs as well as a hotel and a restaurant. It also obtains a brewery, but this is being closed. To pay for the package, Allied has issued 29.6m new shares to Vaux, which has paid them on the market at 17½p, setting the regional brewer £20.2m.

The payment corresponds approximately to the net book value of Lorimer, which is £21.1m. As the properties were revalued last year, this is probably close to the current value of the assets. A further payment will be made either to or by Vaux to reflect any change in net assets up to completion.

Vaux is therefore receiving a useful price for a company which has shown a drop in profits from £1.7 to £1.2m over the past three years. When interest charges are included, the return has been still lower.

Vaux will use the cash to pay off overdrafts and strengthen its presence in the North of England through pubs and hotels. As a first step in this direction, Vaux has bought ten pubs and one hotel from Allied for £1.35m.

Though large by the standards of regional brewers, ranking with Greenall Whitley and Wolverhampton and Dudley, in the top three, Vaux has a disadvantage in its rather wide geographic base.

The most successful regional brewers, such as Greene King and Grenall, have a concentrated network of outlets which enable them to control distribution and maximise their advertising budgets and build up local brand loyalty.

Vaux's declining market share in Scotland has been caused in part by its low initial penetration of a large market. Lorimer's had only about 2 per cent of the

Scottish beer market. With the major brewers freed from Price Commission shackles and reviving their local brews, its difficulties have intensified.

Allied's motives for buying Lorimer's were similar. The group's market share in Scotland is less than 100 per cent, which compares with around 45 per cent for S & N and at least 30 per cent for Bass. Particularly in view of the labour problems at Warrington, which have undermined customer confidence, Allied needed to inject new muscle in to the Scottish operation.

Two advantages will accrue to Allied immediately through the deal. Firstly, it will have a far stronger presence in the tied trade, where margins are under less pressure than in the free trade. Until now, Allied has had only 40 pubs in Scotland.

Furthermore, it will enable the group to seek up spare capacity at its Alloa brewery, which produces Skol and Diamond Heavy for the Scottish market. According to Mr. John Cleaves, Allied's finance director, Alloa has enough spare capacity to handle all the new business, though other beers will continue

to be provided from England. The leasers from yesterday's match could well be S & N and Bass. S & N, for example, will be under more vigorous pressure from Allied in Scotland and from Vaux in Northern England. Mr. Peter Ralston, the group's chairman, accepted that competition will be more severe but adds philosophically that he is used to it.

The deal must still clear the hurdle of the Office of Fair Trading. A decision on whether it will be referred to the Monopolies Commission can be expected in about three weeks. But given the dominance of the two major brewers in Scotland, the OFT may decide the arrangement actually strengthens competition in the area.

The delay in approval created some uncertainty yesterday, however, when Casanova placed the shares. The placing took around 1½ hours, but some institutions were apparently reluctant to take on shares which they could not trade immediately. The shares will not be listed until the OFT makes up its mind. Moreover, the share price performance of Allied recently has done little to inspire enthusiasm.

Stoddard falls in first half

PRE-TAX profits of Stoddard

Holdings, Axminster, Wilton and bonded carpets, dropped by £56,000 to £370,000 in the six months to November 30, 1979. Turnover improved from £11.5m to £12.5m. Demand remained firm throughout the first half, but had not been as buoyant as previously, states Sir Robert Maclean, the chairman. The Board believes, however, that despite the challenges of the market, Stoddard should hold its position in the industry.

A cautious entry has been made into the "tuffed" market and this is only modestly reflected in the turnover. Theuffed unit is not yet breaking even, but progress is being made and in the long term it is expected to contribute to profits.

The interim dividend is increased from 0.532p to 0.556p—a final of 0.897p was paid last year, when total profits were £233,000. Stated earnings per 25p are 2.15p against 2.49p.

There were exchange losses of £88,000 (£91,000) and financial charges of £244,000 (£223,000). Tax charged was slightly lower at £152,000 (£222,000).

Technology Tst.

After-tax earnings of the Tech-

nology Investment Trust ad-

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are in arrears or in arrears and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Inverness—Raided Savant, Reddy, Fashion, Wholesale Fittings.
Finnish—Colonial Securities Trust, Svoda.

FUTURE DATES
Inverness—Feb. 4
Apex Properties—Feb. 8
Widemann—Feb. 12
Crestmont Japan Invest. Trst.—Feb. 12
Howard Machinery—Feb. 14
Lancashire & London Inv. Trst.—Feb. 14

vanced from £318,046 to £508,260 for the six months to November 30, 1979. Gross revenue was ahead at £812,690, compared with £564,242.

Net asset value at the half year is shown as 137p per 25p share, against 140p last time.

As already known, the interim dividend is being raised from 1p to 1.5p and there is a special interim of 0.36p in respect of payment of arrears of dividends received. A final of at least the same as last year's 2.1p has been forecast.

BANK RETURN

	Wednesday Jan. 30, 1980	Increase (+) or Decrease (-) for week
BANKING DEPARTMENT		
Liabilities		
Capital	14,555,000	—
Public Deposits	20,926,284	— 3,516,417
Special Deposits	47,525,000	—
Reserves & other accounts	644,017,664	— 15,115,728
	1,171,328,188	— 99,556,502
ASSETS		
Government Securities	494,162,324	— 128,935,000
Advances & other assets	443,184,606	— 69,264,960
Premises Equipment & other assets	303,782,988	— 74,127,686
Notes	20,006,881	— 5,048,078
Other	508,565	— 19,098
	1,171,328,188	— 99,556,502

ISSUE DEPARTMENT

	£	£
Notes issued	6,685,000,000	—
In circulation	6,604,961,719	+ 6,948,078
In Banking Department	20,006,881	— 6,948,078
ASSETS		
Government Debt	11,015,100	— 84,820,334
Other Government Securities	7,234,398,028	— 84,820,334
Other Securities	2,339,699,551	— 84,820,334
	9,589,000,000	—

FOOD PRICE MOVEMENTS

	January 31	Week ago	Month ago
BACON			
Danish A1 per ton	1,270	1,270	1,240
British A1 per ton	1,220	1,220	1,220
Ulster A1 per ton	1,220	1,220	1,220
BUTTER			
NZ per 10 kg	14.20/14.57	14.20/14.57	13.80/13.72
English per 10 kg	18.57	18.57	18.07
Danish salted per 10 kg	19.18	19.18	18.75
CHEESE			
English cheddar	1,505/1,560	1,505	1,505
Irish cheddar	1,535.95	1,526.11	1,410/1,440
Danish cheddar	1,420	1,395	1,420
EGGS*			
Home produced			
Size 1	4.60/4.90	4.70/4.90	4.50/3.20
Size 2	4.90/5.10	5.00/5.10	5.30/5.70
	January 31	Week ago	Month ago
BEEF			
Scottish killed sides			
ex-KKCF	64.0/68.0	63.0/67.0	65.0/69.0
Eire forequarters	48.0/50.0	46.0/48.0	40.0/43.0
LAMB			
English	44.0/58.0	46.0/56.0	44.0/54.0
NZ F1s/F2s	50.0/51.0	49.0/51.0	51.0/52.0
PORK			
All weights	37.0/50.0	36.0/50.0	38.0/51.0
POULTRY			
Oven-ready chickens	37.0/46.0	37.0/46.0	38.0/42.0

* London Egg Exchange price per 100 eggs. † Delivered, ‡ 20-kg rindless blocks delivered, per tonne.

GALLAHER

1979 RESULTS

The Directors of Gallaher Limited announce the following figures, subject to audit, in respect of the year ended 31st December, 1979:

	1979	1978
(All figures in £ millions)		
GALLAHER LIMITED AND SUBSIDIARY COMPANIES		
GROUP SALES (Note 1)		
Tobacco—Domestic	1,098.9	1,035.9
— Overseas	176.2	170.3
Engineering	66.8	59.3
Optical	40.6	34.9
Distribution	238.8	222.9
	1,621.3	1,523.3
GROUP TRADING PROFIT, before Interest		
Tobacco—Domestic	45.2	39.4
— Overseas	3.9	3.5
Engineering	5.4	3.9
Optical	7.1	6.3
Distribution	3.1	2.4
Group Financing (Note 2)	1.3	(loss) 0.5
	66.0	55.0
INTEREST CHARGES	2.8	4.0
GROUP PROFIT, before taxation	63.2	51.0
TAXATION (Note 3)	17.6	26.2
GROUP PROFIT, after taxation	45.6	24.8
MINORITY INTERESTS	0.2	0.2
	45.4	24.6
EXTRAORDINARY ITEM (Note 4)	(profit) 0.3	—
GROUP PROFIT attributable to ordinary shareholders	45.7	24.6
ORDINARY DIVIDENDS	24.6	21.2
PROFIT retained for the year	21.1	3.4
Depreciation charged in arriving at Group Trading Profit	12.9	11.7

NOTES

- Group Sales. Sales exclude VAT or its equivalent. The comparison for sales of domestic tobacco products has been affected by Duty increases since April 1978.
- Group Financing. Group financing is mainly the exchange profit/loss incurred on foreign currency borrowings to finance overseas investment.
- Taxation. U.K. Corporation Tax has been based on a rate of 52%. The charge has been reduced by £14.1 million as a result of the write off of stock appreciation relief under the Finance (No. 2) Act 1979.
- Extraordinary item. The profit arises on the sale of trade investments.

Ruo Estates profits halved

HALVED PROFITS and dividend are announced by Ruo Estates Holdings for the year ended June 30, 1979. The company grows and manufactures tea in Malawi. With turnover £0.43m lower at £1.29m, pre-tax profits for the year dropped from £605,228 to £300,519. In October, the directors forecast a substantial fall in profits resulting from a reduction in crop mainly due to climatic reasons, a consequent rise in production costs and a general fall in tea prices.

Following the omission of the interim dividend, a final of 2.5p is compared with the previous year's total of 9p. Stated earnings per 25p share were down from 21p to 13p. Tax for the year took £123,778 (£319,849). Exchange losses are no longer charged to the company's results but to its reserves and as a result, a charge of £52,564 (£12,222) has been made against reserves.

First-half rise for Longon

TAXABLE profits of Longon Industrial Holdings advanced from £324,000 to £342,000 in the half year to September 30, 1979. In the last full year, there was a record surplus of £1.55m compared with £1.15m.

Turnover went ahead in the six months from £16.4m to £20.41m. The tax charge is lower at £204,000 (£279,000). Stated earnings per 25p share rose from 7.81p to 10.88p and the interim dividend is increased from 1.25p to 1.4p—last year's total was 5p, including a 0.5p special anniversary payment.

Activities of the group, which on November 1, 1978, changed its name from Longon Transport (Holdings), including road transport and freight handling, steel stockholding and engineering supplies, vehicle and construction plant distribution and repair, crane hire and insurance broking.

MIDLAND BANK STATISTICS

Statistics compiled by Midland Bank show that the amount of "new money" raised in the UK in January was £220m, a sum broadly similar to the £22.3m and £22.7m raised in January 1978 and 1977 respectively but only a quarter of the December total of £106.0m.

Issues by public bodies accounted for two-thirds of the months total, in contrast, to the generally low level of activity in 1979. Twenty local authorities made 24 bond issues to amounts ranging from £250,000 to £2.5m.

The British Petroleum Company Limited Ordinary Shares of 25p each

Offer for Sale by the Bank of England on behalf of H.M. Government

Final Instalment Due 6th February 1980

The Bank of England wish to remind holders of Letters of Acceptance that the final instalment of £2.13 per Share MUST BE PAID BY 3 P.M. ON 6TH FEBRUARY. Cheques for the amounts due, made payable to the Bank of England and crossed "Not negotiable—BPSHares" must be forwarded, with the LETTERS OF ACCEPTANCE, TO THE APPROPRIATE RECEIVING BANK WHOSE NAME AND ADDRESS APPEARS IN THE BOX ON THE RIGHT-HAND SIDE OF PAGE 1 OF LETTERS OF ACCEPTANCE.

Registration of Renunciation

The attention of holders of renounced Letters of Acceptance, i.e., those with Form X completed or marked "Original duly renounced", is drawn to instruction 6 on page 3 of the Letter. The removal of United Kingdom exchange controls means that the declaration at the foot of Form Y on page 4 need no longer be made. Accordingly it may be deleted when Form Y is signed prior to lodgment of fully paid Letters for registration of renunciation on or before 3 p.m. on 20th February.



GARFORD-LILLEY INDUSTRIES LTD.

INTERIM REPORT

The directors announce the unaudited results for the half-year ended 30th September, 1979, as follows:

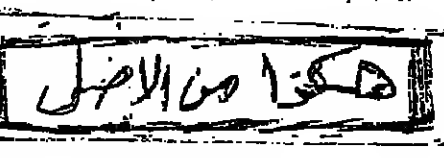
	Half year to 30.9.79	Half year to 30.9.78
Turnover	2,876,562	2,303,765
Group Profit, before Taxation	240,355	182,235
Taxation	124,585	100,477
Profit, after taxation	115,770	81,758
Earnings per share	1.75p	1.41p

The Directors have declared an Interim Dividend in respect of the year ending 31st March, 1980, of 0.25p a share (1978—0.17p), absorbing £16,450, payable on 19th March, 1980, to shareholders registered close of business on 26th February, 1980. The interim dividend has been increased in order to reduce the disparity between the interim and the final, and does not imply an increase in the total distribution for the full year, which will be considered when the final results are known.

The results for the first half of the current year are encouraging in respect of all activities, and might have pointed to very satisfactory increase in profits for the full year. However, both the engineers' and the steelworkers' strikes must have some indirect adverse effect on operations in the second half, and whilst the Plastics and Woodworking Divisions did well in the period under review, it may not be possible to maintain the same progress because of the unsettled conditions prevailing, particularly in the consumer trade.

Because of these circumstances it would be unwise to forecast how the Group will fare at the end of the financial year, but the Directors hope that, in spite of the many problems, the steady trend of progress of recent years will be maintained.

February 1 1980
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BIDS AND DEALS

Eurocanadian to sell Manchester Liners stake

Eurocanadian Shipholdings has agreed to sell its 37.8 per cent stake in Manchester Liners to the company's own shareholders, Canadian National Railways.

Eurocanadian built up its stake in Manchester Liners in 1974 and at one stage wanted to take over the company and merge its container operations with its own. However, a Monopolies Commission report ruled that the merger should not go ahead. Meanwhile Eurocanadian had also been buying shares in Furness Withy. The Monopolies Commission ruled that the proposed merger would not be in the public interest and told Eurocanadian to reduce its stake in Furness Withy to 10 per cent by the end of 1979.

Commenting on the sale yesterday, Mr. Klaus Clusing of Eurocanadian said: "It has become clear in recent months that our original project of ensuring the long term viability of ML by merging with our North Atlantic volume with our own container operation is no longer valid in terms of our own best interests in the 1980s."

Another senior Eurocanadian executive, Mr. Peter Twiss also said that he understood that Furness Withy themselves had shown interest in disposing of their own majority stake in Manchester Liners. He hoped that by removing Eurocanadian from the scene it would help clear the air and permit others to give the financial support and direction it needed.

Manchester Liners' profits fell sharply during 1978 and it cut its dividend. In the first half of 1979 the company was badly hit by the U.K. lorry drivers strike and made a pre-tax loss of £2.3m. Manchester Liners has suffered in recent years because its two major shareholders (there is a tiny public shareholding) were badly on speaking terms. The acquisition of the shares by Canadian National Railways should help the company resolve its difficult problems. CNR is the principal supplier of rail services in North America to ML.

Initially, Eurocanadian hoped to meet its undertakings to the shareholders by increasing its stake in Furness Withy to 10 per cent by transferring its shares to Dolphin Investments, Helix Investments and CNR. However, the Department of Trade has said that this does not fulfill the

Share deals in London Sumatra

McLeod Russel and Co., the plantation holding company, has reduced its holdings in London Sumatra Plantations, which owns rubber estates in Indonesia and Malaysia, from 4.3 per cent to 2.23 per cent, realising a gross profit of £1.2m.

At the same time Harrison and Crossfield, the plantation and industrial group is increasing its holding in London Sumatra by 1.7 per cent to 45.9 per cent.

The share prices of all three companies were active yesterday. McLeod Russel jumped 21p to 340p, London Sumatra rose 10p to 435p while H and C fell 13p to 78p.

McLeod announced that on January 30 a subsidiary sold 350,000 London Sumatra stock units at 430p each, which compares with a price of 100p when the shares were purchased in January 1978 prior to the bid for London Sumatra by its associate, McLeod Sipef Plantations.

The share sale, which reduces McLeod's stake to 35.5 per cent (2.23 per cent), realised £1.2m, the gross compared with a cost price of some £350,000.

A spokesman for McLeod said yesterday that it was decided to realise part of the holding in view of the increased value of the company's investment. He said that the price reflected a re-rating of Indonesian plantations. There was no present intention of selling the rest of the stake but if the price came back a lot the company might consider buying some shares.

Mr. T. Prentice, chairman of H and C said that the increase in the London Sumatra stake was a "routine purchase" in keeping with the rules of the Take-over Code. Under this the company was permitted to increase its stake by up to 2 per cent a year without being obliged to make a full bid.

SHARE STAKES
W. H. Smith and Son (Holdings) - Viscount Hambleden, director, acquired an interest in 665,500 "B" ordinary shares, and his total interest is now 7,613,750 (10.94 per cent).
H. P. Bulmer (Holdings) - J. C. Bulmer acquired an interest in 582,550 ordinary shares. His total beneficial holding is now 410,817 shares and his non-beneficial holding 663,533. Total interest now 10.39 per cent.

Dalgely Frozen Foods sold for £850,000

Dalgely is to sell its frozen food subsidiary, Dalgely Frozen Foods, to Louis C. Edwards and Sons (Manchester), the meat group, for £850,000 cash.

Cordon Bleu Freezer-Food Centres, a newly acquired Edwards offshoot, will pay £100,000 on completion of the deal on February 4, two instalments of £200,000 each six and nine months later, and the rest after 12 months.

The sales and pre-tax profit of Dalgely Frozen Foods for the year to June 30, 1979 were £10.1m and £3.0m respectively, and net assets were £841,000.

DFF operates 33 stores principally in the South East of England retailing frozen foods and fresh produce. Following the acquisition, Edwards' frozen food retail activity will comprise 79 stores in the North, Midlands and the South East with total annual sales of around £30m.

Since February 1979, Edwards has been under the management and direction of Gulliver Foods. Mr. David Webster, a director of Edwards, said yesterday that the merger of the two freezer chains would mean a "substantial presence in the specialist freezer market."

The group intended to build on that presence by new store openings, or acquisitions where "opportunities" arose.

Meanwhile it would be looking at the Dalgely chain on a store-by-store basis and expected it to show real profits in the reasonable period of time. Centrist, a wine and administration would be a major benefit, Mr. Webster said.

UKO BUYS OPTICAL BUSINESSES

UKO International has bought the optical business and connected assets of Levers Optical (Manufacturing) and the Willesden Optical Works.

Levers and Willesden were owned by the Levers Optical Company, which has been struggling with losses for some years. Levers acquired Willesden in 1976 for £87,500 and merged it with its own optical business. That side has since been run down and Levers' share quotation has been cancelled.

Last October, however, reporting reduced losses of £28,631 (£38,360) for 1978, Levers' board said it still intended to seek a reorganisation some time.

MOOLOVA INVESTMENTS
Mr. C. Baldwin of Wesseals has acquired a further 100,000 ordinary shares at 95p in Moolova Investments. This holding was acquired from Mr. B. Hersh, director, who no longer owns or controls any shares in the company. It is understood that this acquisition, taken together with the holdings of Wesseals and/or Christopher Baldwin immediately before the acquisition of 45,000 ordinary shares, brings total holdings of Wesseals and/or Christopher Baldwin to 145,000 shares (approximately 23 per cent of entire issued share capital).

REVERSE BID BY UNITED RUBBER

United Rubber and Coffee Plantations (1932), a virtual cash shell company, is to acquire

'W' Ribbons disposes of German subsidiary

"W" Ribbons Holdings, the manufacturer of synthetic webbing and cargo-bonding equipment, has agreed to sell the seat belt division of its 88 per cent owned West German subsidiary, Hansell-Gurtz GmbH and Co. KG, to Granges Weda A.B. of Sweden, with effect from March 1.

The sale, which represents book value, raises £4.7m (£1.2m). Payment will be in deferred terms on the plant and machinery (DM 1.5m) over three years and on the stock and work in progress (DM 2.9m) over one year.

"W" Ribbons has also agreed to lease the major part of the Hansell-Gurtz factory to Granges Weda for DM 300,000 a year and also has granted them the option to purchase the freehold of the land and building for DM 5.2m (£1.3m) within two years.

Granges Weda is a subsidiary of Granges A.B., the major Swedish group engaged in non-ferrous engineering and seat belt manufacture.

DANA TRIPLE PURCHASE

Dana is to acquire three private UK companies under common management, Intertruck, Truckparts and Autolube and Plastics, plus the remaining minority interests of Intertruck Continental BV not already held by Intertruck. The total consideration of £3.28m, mainly in shares, will be paid in two instalments.

The aggregate net tangible assets of the three companies amounted to £2.35m, at April 30, 1979. Pre-tax profits were £0.99m on sales of £8.21m, for the year ended April 30, 1979.

Browns, for about £330,000 cash

Hudsons will acquire the freehold premises, fixtures and fittings of Browns valued at £210,000 plus the stocks, estimated at £120,000.

The Browns Bookshop business estimates that sales in its latest year to January 31, 1980, will be around £800,000.

ASSOCIATED ENGINEERING

Mr. J. N. Ferguson, chairman of Associated Engineering, reminded holders of his annual statement, in which he had said that, provided the level of industrial disruption was contained at a much lower level, and some success was achieved in controlling inflation, prospects for 1980 were of a return to a more satisfactory level of profitability.

However, neither of these provisions had yet been achieved. This, together with the continuing high interest rates, made it virtually impossible to forecast full-year profits.

But if the steel strike was resolved quickly, and there were no other major disruptions, the prospects remained for some improvement in profits.

PENTOS ACQUIRES HULL BOOKSELLER

Pentos' wholly-owned subsidiary, Hudsons Booksellers, has acquired the retail bookshop and library supply business of A. Brown and Sons, known as

APPOINTMENTS

Fisons re-structures U.S. operations

FISONS is re-structuring its North American operations. Early this year three existing activities in the U.S. - scientific equipment, agrochemicals and pharmaceuticals - will operate through a separate, wholly-owned subsidiary with a president in each case who is resident full-time in the U.S.

Mr. Stephen Atwood becomes president, Fisons Corporation (for pharmaceuticals). Mr. Ronald Cheves becomes president, Fisons Incorporated (for agrochemicals), and Dr. Helner Cramer remains president, Haake Inc. (for scientific equipment). The chairman of the three American companies will be the main board directors in charge of the relevant UK divisions.

Mr. Joe Valentine, therefore, becomes chairman of Fisons Corporation, Mr. Terry James, chairman of Fisons Incorporated, and Mr. Jack Heath, chairman of Haake Inc.

Mr. Peter Folbergill is general manager of the Canadian pharmaceutical company, Fisons Corporation Ltd. of which Mr. Valentine will be the chairman. Dr. Peter Young will be a director of Fisons Corporation and Fisons Incorporated and will act in a financial role for all four companies.

Mr. Jeremy Hardie is to become a director of UNILEVER PENSION INVESTMENTS, the company responsible for the investment of Unilever's UK Pension Fund. He is a partner at chartered accountants, Olvion Wilson and Co. He is also deputy chairman of the Monopolies Commission and a deputy chairman of the National Provident Institution.

OLYMPIC HOLIDAYS has appointed Mr. Barry Barnes as operations and finance director designate. His responsibilities include operations, finance, computer administration and corporate systems. A non-executive appointment to the Board is Mr. Robert Updell. Mr. Eric Sutherland, deputy chief executive, assumes the additional new title of sales director. Mr. Chris Mansell, becomes sales manager with specific responsibilities for strengthening liaison with travel agents.

Mr. Collin Lee will be joining BOOKER MCCONNELL on February 1, as planning executive. He will be concerned with planning and development within Booker McConnell and will also act as secretary to the company's corporate planning group.

Mr. Geoffrey Sutcliffe has been appointed senior international executive for the Africa and Middle East Region of NATIONAL WESTMINSTER BANK'S international banking division, based in the City. He succeeds Mr. E. F. Nightingale who is retiring.

Mr. Andrew Barber has been appointed deputy managing director of CAPPER NEILL PLASTICS, part of the Capper Neill Group.

Mr. George Murray has been appointed head of group management services for PILKINGTON BROTHERS. He succeeds Mr. Peter Shepherdson who has been appointed general manager - new opportunities.

Mr. Warren Bradley has been appointed personnel director of TI TOWER HOUSEWARES, the Wombourne-based cookware manufacturer. Following five years with the TI Group, Mr. Bradley joined Tower three years ago as personnel manager.

Former Ford and British Leyland director Mr. John Barber has been appointed a non-executive director of GOOD RELATIONS HOLDINGS and the GOOD RELATIONS GROUP. Before joining British Leyland, where he was deputy chairman and managing director, Mr. Barber was finance director of The Ford Motor Company. He is also a director of Arcow and A. C. Edwards (Engineering), and of The Wiltshire Group.

Mr. M. P. Bridger, Mr. R. W. Shilling and Mr. D. W. S. Wright, have been appointed to the Board of MACARTHUR'S PHARMACEUTICALS as non-executive directors. They are managing directors respectively of the company's retail, surgical and wholesale divisions.

Mr. Graham Ferguson Lacey, whose appointment as executive chairman of the NATIONAL CARBONISING COMPANY was announced yesterday, became non-executive chairman of the company in August last year.

Mr. Rex Winsbury, has joined the Board of FINTEL as vice-director. Fintel, a subsidiary of the Financial Times and the Exchange Telegraph Company, specialises in electronic distribution of business information. Mr. Winsbury has been editorial director since its formation in February 1978, with additional responsibility for marketing.

Mr. N. C. (Norman) Baker has been appointed deputy chairman and joint managing director of TAYLOR WOODROW CONSTRUCTION.

Mr. Peter Cadbury, executive chairman of Westward Television, has joined the board of ASTON MARTIN as "life-long member" of the marque. He is also a member of the Aston-Martin association which last week made a formal offer to BL for its MG sports car business. The association is still awaiting BL's reply to the offer.

The Employment Secretary has appointed Mr. Donald Stradling, group director

director of John Laing, to serve on the MANPOWER SERVICES COMMISSION. The appointment is made following consultations with the Confederation of British Industry and will run until December 31, 1982.

SHELL INTERNATIONAL CHEMICAL COMPANY states that Mr. M. J. Waale, Chemical Co-ordinator London, has been appointed a director from February 1.

Mr. Andrew Cook has been appointed deputy executive chairman and chief executive of WILLIAM COOK AND SONS (SHEFFIELD). Mr. A. McT. Cook, formerly chairman and managing director, remains chairman.

Mr. Robert E. Dwyer has been named worldwide marketing director, ROCKWELL INTERNATIONAL CORPORATION.

Miss Margaret Ann Francis has been appointed secretary of BRITISH CINEMATOGRAF THEATRES following the resignation of Mr. J. B. M. Scott.

Mr. Myung So Kim, general manager of KOREA FIRST BANK, London branch, will be returning to Korea during February, to take up a new appointment in Seoul. Mr. Chul Soo Rhee has been appointed his successor.

Following the acquisition by TILBURY PLANT of the whole of the issued share capital of Compressor Hires, Compressor Hires (Sales) and Compressor Hires (Trading), the Boards of

these three companies now comprise: Mr. C. Brand, chairman; Mr. R. E. Dwyer, director; Mr. J. Cardwell, director; Mr. J. O. Ives, director and general manager; Mr. E. G. Kellas, sales director; and Mr. F. G. Chapman, director and secretary. Mr. J. O. Ives, Mr. E. G. Kellas and Mr. M. P. Staples have been appointed directors of Tilbury Plant.

Mr. Cedric John Riley, manager of personnel and industrial relations at CUTLER-HAMMER EUROPA, Bedford, has been appointed to the Board from February 1.

The Energy Secretary has re-appointed Mr. James Cowan and Mr. Philip Weekes part-time members of the NATIONAL COAL BOARD. Mr. Cowan and Mr. Weekes are NCB area directors in Scotland and South Wales respectively and both will continue in these posts.

Mr. C. J. Humphrey has been appointed regional general manager of the Greater London (South) regional office of LLOYDS BANK. He succeeds Mr. G. G. Drew who retires on April 30.

Dr. John Adie, has been appointed managing director of FRASER-NASH (CONSULTANTS), of Kingston-upon-Thames.

SOCIETE NATIONALE ELF AQUITAINE has appointed Mr. Jacques Pavard to the newly-created position of group managing director in the UK. He joined the group in 1959 and was financial manager of Aquitaine before being appointed area

manager for the Americas and Australia in 1978.

Mr. Malcolm S. Mackenzie has been appointed director of finance for INTERNATIONAL HARVESTER COMPANY OF GREAT BRITAIN. Previously he was comptroller and company secretary.

Mr. R. A. Custis, who is at present deputy director general of the Department of Energy's offshore supplies office (OSO), has been appointed director general from April 1. He will succeed Mr. Norman Smith who returns to Baring Brothers and Co. at the end of his term of secondment to OSO.

CHARTPAK EUROPE, a company of the Times Mirror Group, has appointed Mr. Raymond Dave to the board as sales and marketing director.

Mr. Muzaffer Aktas has been appointed a director of STEWART WRIGHTSON (REINSURANCE BROKERS) from February 1. He was until recently an adviser to Milli Reasurans TAS (National Reinsurance Company), of Istanbul.

Secretary of the BRITISH CERAMIC PLANT AND MANUFACTURERS' ASSOCIATION since its formation, Mr. Chris Hench has been appointed director.

Mr. Harold J. Corbett has been elected a vice-president of the MONTANTO COMPANY of the U.S. He is managing director of Monsanto Plastics and Resins Company.

The Proprietors of Hay's Wharf, Limited

The 72nd Annual General Meeting was held in London on 31st January 1980 with Sir David H. Burnett, Bt., M.B.E., T.D., the Chairman presiding. The Report and Accounts for the year ended 30th September 1979 were adopted and the final dividend was approved. The following are extracts from the Chairman's statement.

Summary of Results

The profit before tax for the year, after a first time charge for depreciation on freehold buildings of £332,000 amounted to £5,563,000 - up 21 per cent on 1978.

The final dividend of 4.63p per share, together with the interim of 1.72p already paid totals 6.35p for the year, compared with 5.525p for 1978.

All main activities contributed to improved earnings and in particular the storage, distribution and oils & chemical companies made a good recovery in the second half. Profits after taxation increased by 15.7% from £3,986,000 to £4,613,000.

Last August, a Rights Issue was fully taken-up by Ordinary shareholders and raised £4,799,000 net, which is being used to help finance the company's capital expenditure programme and to contain future borrowings.

Comparative Figures		1979	1978*
Year ended 30th September		£'000	£'000
Group turnover		61,500	52,500
Trading profit before taxation		5,895	4,587
Depreciation on freehold buildings		332	-
Pre-operational and exceptional interest charges		209	36
Taxation		741	565
Profit after taxation		4,613	3,986
Extraordinary items		679	461
Dividends - Ordinary and Preference		1,382	1,034
Transferred to Reserve		2,552	2,491
Earnings per share		24.72p	22.31p
Based on profit before extraordinary items			

*Certain 1978 figures have been restated to reflect changes in accounting policies for deferred taxation and premiums arising on the acquisition of shares in subsidiaries.

Further Outlook

In the absence of industrial unrest, such as was experienced last winter, the outlook for the Group for the current year would appear favourable, and our recent acquisitions will make a full year's contribution to profits for the first time.

Copies of the full Report and Accounts can be obtained from The Secretary of The Proprietors of Hay's Wharf, Limited, St. Olaf House, London Bridge, London SE1 2PJ.

NOTICE OF REDEMPTION To the Holders of ENTE NAZIONALE IDROCARBURI E. N. I. (National Hydrocarbons Authority)

6 1/2% Sinking Fund Debentures due September 1, 1981

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on March 1, 1981, at the principal amount thereof \$1,037,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. \$1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:	
07 16 21 23 24 34 35 40 61 62 66 71 75 80 88	
Also Outstanding Debentures of \$1,000 Each of Prefix "M" Bearing the Following Serial Numbers:	
277 2277 3877 5077 5477 6177 6377 7077 7977 8577 9077 9377 10077 13377 15277 19577	
317 3777 177 5177 5577 6277 6777 7377 8077 8677 9177 10177 11377 12877 15877 19877	
777 2977 4877 5277 5777 6377 7077 7777 8377 8877 9277 10377 12877 14877 17377	
777 3077 4977 5377 5977 6477 7177 7877 8477 8977 9477 10477 13377 15377 19477	

On March 1, 1981, there will become due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment therein of public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main offices of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Allgemeine Bank Nederland N.V. in Amsterdam or the main office of Kreditbank S.A. Luxembourg in Luxembourg-Ville.

Debentures surrendered for redemption should have attached all unexpired coupons appurtenant thereto. Coupons due March 1, 1981, should be detached and collected in the usual manner. From and after March 1, 1981, interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Fiscal Agent

NOTICE

The following Debentures previously called for redemption here not as yet been presented for payment:

DEBENTURES OF U.S. \$1,000 EACH

M 23 2519 2596 2719 2783 2796 4019 4096 4119 4146 4198 4246 12646 12688 12691 14296 14419

Approximately 97% of the outstanding shares of Common Stock of

J. Weingarten, Incorporated

has been acquired by

Cavenham Texas Inc.

an indirect wholly-owned subsidiary of

Cavenham Ltd.

It initiated this transaction, acted as financial advisor to J. Weingarten, Incorporated and assisted in the negotiations.

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

January 22, 1980.

Petrofina profits mask slowdown

By Our Financial Staff

PETROFINA, the Belgian oil group, reports sharply higher profits for 1979, and is increasing its dividend by more than a 25%.

At the net level earnings have risen by 37 per cent to BFRs 8.5bn (\$294m) from BFRs 6.2bn, and the payment to shareholders is going up to BFRs 230 a share from BFRs 190.

The result masks a considerable slowdown in the rate of growth during the second half of the year, however. Net income rose by 76 per cent over the opening six months, but could manage a gain of only 14 per cent from June onwards.

When reporting interim results in July, Petrofina said profits growth would have been higher if the company had not switched to LIFO (last in first out) accounting. The change had lopped something like BFRs 2.5bn off the overall earnings total.

The company also announced yesterday that its capital spending in 1980 would be broadly maintained at the level of 1979, when it was BFRs 18.5bn.

In 1979 group net profits were 8 per cent higher following a gain of little more than 5 per cent in sales and other revenues. The year's production of crude rose to 7.95m tonnes from 7.1m.

Eaton French unit fails

By Our Financial Staff

EATON MANIL has been declared bankrupt by a French commercial court. Eaton Manil is a subsidiary of the Eaton Corporation of the U.S., operates a foundry at Vivier-au-Court, in Northern France, and employs 560 workers. It produces moulded parts used in the auto industry and in the manufacture of household appliances.

The company's chairman and director general resigned earlier this month and a receiver was appointed. Eaton Manil's accumulated losses are estimated at FFr 40m (\$10m). Eaton Corp. has established reserves arising from the liquidation of the French unit.

ENASA-INTERNATIONAL HARVESTER

A European springboard for the 'eighties

BY ROBERT GRAHAM IN MADRID

THE MOVE by International Harvester to buy 35 per cent of Spain's major industrial vehicle manufacturer, ENASA, underlines the importance of Spain in the European automotive industry of the 1980s.

It also marks the virtual end of Spanish control of its own automotive industry. In the past year agreement has been reached for Fiat to acquire control of the main car producer, SEAT, while only 10 days ago Nissan bought into Motor Iberica, the agricultural machinery and light truck manufacturer.

All this is part of the build-up to Spain's entry into the Common Market. Multinational companies are gearing up to use Spain as the production base, and the Spanish Government, through its State holding company, INI, is investing to ensure access to technology and markets, to guarantee jobs.

In 1973, British Leyland, as it was then, sold its 25 per cent stake in ENASA, making it a purely Spanish company.

(ENASA still, however, pays an annual £244,000 in royalties to B.L.) INI, owning 67 per cent of the equity, sought to develop the company but ran up against problems in finding export markets, adequate technology and, latterly, through high production costs and a slump in the domestic market.

By 1978 it had become one of the most troubled companies in the INI fold. To secure its future, contacts began in the autumn of 1978 to find a multinational partner.

International Harvester did not appear as a serious buyer until last August. INI had discarded the idea of forming a large holding company and grouping it with the two remaining Spanish manufacturers, Motor Iberica and Navaja. But right up until two weeks ago, INI was still keen on creating a company with NISSAN that included ENASA and Motor Iberica.

INI officials say that this latter scheme foundered at the last minute because:

(1) Motor Iberica wanted to

retain majority control of the new company leaving INI only 12 per cent;

(2) Because Nissan had no substantial technological base in the heavy vehicle sector.

As a result, Motor Iberica

The deal between the two companies is based on a series of mutual trade-offs. At the same time it commits the American company to a fairly substantial programme of capital spending.

INI hopes, through shedding some 3,000 of its 11,570 workforce, to reduce operating losses. The Government is expected to assist with new soft credit and export aids.

In return, International Harvester will provide management, technical services and technology to the company immediately, as well as link up its distribution network. More importantly, International Har-

vester will build in Madrid a \$100m engine plant through a new company owned 65.35 with INI. The plant will have a capacity of 100,000 units, 70,000 of them D-466s and 30,000 B-4s.

Roughly 50 per cent of this production will be geared for export. This major investment will offset some of the consequences of ENASA's initial labour shedding, since eventual employment here in 1984 could be over 2,500. The question of absorbing ENASA's excess labour has been a major difficulty in finalising the deal. The sensitive political question of ENASA's military vehicle side (armoured cars) was solved by having INI this to its subsidiary, Santa Barbara.

It is assumed that the Government will provide favourable loans to International Harvester for the engine plant, although this has not yet been worked out. At the same time, INI has been able to preserve at least an image of a degree of Spanish control.

big new investments, the cash transaction for its 35 per cent stake is minimal. INI will begin by buying out the other ENASA shareholders, five banks which control 8 per cent of the company. Owning 100 per cent of the company, INI will then sell 35 per cent to International Harvester for an as yet undetermined but almost certainly nominal sum. INI has further undertaken to cover all ENASA losses through to 1982. Losses in 1979 topped \$10m, and this year could be as bad—due to slack demand, stocks are currently worth \$103m, equal to 20 per cent of annual production.

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Alitalia slips back into losses

BY PAUL BETTS IN ROME

ALITALIA, the Italian national airline, will report a loss for 1979 compared to profits of Lire 14bn (\$17.3m) and Lire 11bn during the two previous years. Sig. Luciano Sartoretti, the company's managing director, said in Rome yesterday.

But Sig. Sartoretti said the loss largely the result of acute labour problems and the temporary suspension of DC-10 operations, was not expected to interrupt Alitalia's ambitious 1980-83 financial and economic programme.

Alitalia was able to operate for only 10 out of 12 months in 1979. Company traffic revenues only increased from Lire 551bn in 1978 to Lire 589bn last year, despite worldwide traffic growth and sharply increased tariffs.

Alitalia's loss was not expected to be as high as the losses during 1974-1976, when the company lost on average Lire 42bn a year. Since 1977, the airline has undertaken a major financial recovery programme, which brought the company back into profitability in 1977 and 1978.

The 1979 loss would be contained in large measure because Alitalia had not distributed a dividend last year for the total Lire 14bn profit of 1978, but had set aside some Lire 10bn as reserves, said Sig. Sartoretti.

The company's financial and economic programme envisages increased traffic revenues of L1,318bn, L1,563bn, L1,888bn and L2,233bn in 1980-83 respectively.

Net fixed assets after depreciation, which totalled Lire 1413m last year, are expected to grow to Lire 1725m this year and subsequently to Lire 2,018bn, Lire 2,062bn and Lire 2,080bn in the following three years.

The sharp rise in net fixed assets is largely due to Alitalia's substantial capital expenditure projects for the next four years. These are expected to total Lire 1,180bn for the overall 1980-83 period, including Lire 408bn this year.

The capital expenditure programme is largely aimed at expanding Alitalia's fleet with five new Boeing B727/200 aircraft, eight A300 airbuses, five Boeing B747-combi, and three

Boeing 747s. Alitalia has additional options for three B727s, three airbuses and one B747.

With loan repayments of some Lire 224bn, Alitalia's total financial requirements for 1980-83 are Lire 1,404bn.

Sig. Sartoretti said the capital expenditure programme would be financed by additional loans of some Lire 388bn, and increases in Alitalia's share capital from the present Lire 1,600bn to Lire 2,000bn next year and Lire 2,400bn in 1982. These capital increases are expected to be virtually wholly subscribed by Alitalia's parent company, the giant Italian state holding IRI.

Sig. Sartoretti said Alitalia was now involved in advanced negotiations with the U.S. Export-Import Bank for a 10-year \$460m loan, which would probably carry an interest rate below 9 per cent. Alitalia was recently granted a European Investment Bank loan of \$10m, of which it had already received a first tranche of some \$35m. Alitalia's financial liabilities at the end of last year totalled Lire 29bn.

BMW confident for the decade after expansion last year

BY ROGER BOYES IN MUNICH

WEST GERMAN high-performance car manufacturers Bayerische Motoren Werke (BMW) reports strong sales growth for 1979 and seems confident that it will maintain its market position during the 1980s despite the difficulties facing the country's motor industry.

Herr Eberhard von Kuenheim, BMW's chief executive, made it clear that the company is continuing to experience strong demand. The parent company's domestic sales rose by 9.3 per cent to DM 3.4bn (\$1.95bn), and export sales rose by 11 per cent to DM 3.15bn. Profits too are expected to show a healthy increase when the company releases figures later this year.

BMW executives maintain that the company has consistently performed better than the rest of the industry over the past five years. As a result, although domestic demand for German cars is expected to drop by about 10 per cent this year, BMW is convinced that its own sales will remain substantially unaffected.

Herr von Kuenheim is the first to admit that uncertainty in the international political situation

could upset the picture — another event similar to the invasion of Afghanistan, large increases in the price of oil or a sharp fall in the dollar could all damage the projections.

But BMW's confidence rests on three main pillars. In the first place it has been active in persuading customers that large models—the so-called "7" and "6" models—are not hopelessly uneconomic. The company has ensured that all of the larger models now have direct-injection engines which, with other modifications, save about 7 per cent of energy costs.

At the same time, BMW has been building up its network of foreign subsidiaries and has taken over its own importing and distribution in 10 countries.

The third prong of the BMW strategy in the 1980s is a heavy investment programme with a view towards expanding capacity at least until the mid-1980s, renewing its range (although no new model is planned for this year), and modernising production. Some DM 4bn is to be invested over the next three to four years.

West German companies announce rights issues

BY GUY HAWTIN IN FRANKFURT

TWO MAJOR West German industrial companies announced rights issues yesterday. Linde, the Wiesbaden-based plant, engineering and construction group, is seeking DM136m (1978.4m), while Degussa, the Frankfurt-based chemicals and metals concern, plans to raise DM72m (\$41m).

At the same time as yesterday's announcement, Linde reported that the management is recommending an increased dividend to the May 20 annual meeting. The proposed payout is up from last year's 16 per cent to 18 per cent.

Although the management is proposing a dividend of DM9 per DM50 nominal share compared with 1978's DM5 a share, the 1978 dividend was paid in addition to a jubilee bonus of

DM1.50. Therefore holders will be receiving 50 pfennig a share less than last year.

A consortium of banks, led by the Deutsche Bank, is underwriting the issue, which will increase Linde's nominal capital by DM 40m to DM 180m. The new shares carry rights to the 1980 dividend, and are being offered to holders at the ratio of two-or-seveo. There was no announcement of when the placement would be made.

The announcement of Degussa's rights issue, one-for-six at DM 100 per DM 50 share, was accompanied by news of an unchanged dividend of DM 8.50 for the year to September 30, 1979. Shareholders paying West German tax will receive a tax credit of DM 4.78 per share in addition to the cash dividend.

EUROPEAN INVESTMENT BANK

600,000,000 Luxembourg Francs
9 3/4% Bonds due 1988

Kredietbank S.A. Luxembourgeoise

Banque Générale du Luxembourg S.A.

Banque Internationale à Luxembourg S.A.

Caisse d'Épargne de l'Etat

Banque de Paris et des Pays-Bas

Crédit Industriel d'Alsace et de Lorraine

Société Générale Alsacienne de Banque

Banque Commerciale S.A.

Banque de Suez-Luxembourg S.A.

Crédit Lyonnais

January 25, 1980

All these Bonds have been sold. This announcement appears as a matter of record only.

December 27, 1979

CITY OF GOTHENBURG

(Göteborgs Kommun)

11,000,000 European Units of Account
9 1/8% Bonds due 1989

PKbanken

Kredietbank International Group

Skandinaviska Enskilda Banken

Sparbankernas Bank

Algemene Bank Nederland N.V.

Crédit Commercial de France

Crédit Lyonnais

Deutsche Bank Aktiengesellschaft

Goldman Sachs International Corp.

Société Générale

Société Générale de Banque S.A.

Westdeutsche Landesbank Girozentrale

JANUARY 1980



CENTRALE NUCLEAIRE EUROPEENNE A NEUTRONS RAPIDES S.A.

US\$100,000,000
medium-term facility

guaranteed by

ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL)

Lead-Managed by

BANQUE BELGE LIMITED / SOCIETE GENERALE DE BANQUE S.A.

CREDIT LYONNAIS

CREDITO ITALIANO

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK

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BANQUE DE L'INDOCHINE
ET DE SUEZ
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EUROPEAN ARAB BANK
INTERNATIONAL ENERGY
BANK LIMITED

INVESTITIONS-UND
HANDELS-BANK A.G.
ORION BANK LIMITED
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ZENTRALSPARKASSE UND
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CREDITO ITALIANO, LONDON
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Société Anonyme

EUROPEAN ARAB BANK
GULF INTERNATIONAL BANK B.S.C.
INTERNATIONAL ENERGY BANK LIMITED
INTERNATIONALE GENOSSENSCHAFTSBANK A.G.
INVESTITIONS-UND HANDELS-BANK A.G.
ORION BANK LIMITED
SOCIETE CENTRALE DE BANQUE
STANDARD CHARTERED BANK LIMITED
ZENTRALSPARKASSE UND
KOMMERZIALBANK WIEN

Agent Bank

CREDITO ITALIANO, LONDON

Companies
and Markets

INTERNATIONAL COMPANIES and FINANCE

INTEREST RATE FUTURES

Chicago heads for London

BY DUNCAN CAMPBELL-SMITH

THE Chicago Board of Trade (CBOT) has presented a submission on its proposal to open a futures market in London dollar certificates of deposit (CD) to the Commodities Futures Trading Commission in Washington for its approval.

It will come as a surprise to many participants in the London market that the CBOT has progressed so far. After months of analysis and field work, the CBOT is clearly confident about the prospects for a futures market in London CDs. The CBOT will be actively pursuing its plans to establish the market while awaiting the official go-ahead.

Hedging positions

U.S. financial futures provide for the receipt or delivery at a fixed future date of paper bearing a yield which is decided at the time of the contractual agreement. They are used by speculators hoping to anticipate interest rate movements to their advantage and by commercial institutions wishing to hedge long or short positions in financial securities.

Available futures today cover U.S. Treasury bonds, notes and bills, Ginnie Mae bonds and U.S. commercial paper. Purchases and sales of futures contracts are arranged on several U.S. exchanges and the daily turnover volume has grown so rapidly that in some cases it now surpasses the volume of the underlying cash market.

London dollar CDs are issued in London by most leading banks in the Euro market, but particularly by the London branches of U.S. banks, both regional and money centre. Similarly, the market for the paper is international but heavily dominated by U.S. corporate and institutional purchasers. The CDs provide the same liquidity advantages as New York CDs, but offer a higher yield. This is attributed broadly to the funds raised in London being free of reserve requirements. The yields also reflect branch banks, the mainstay of the London market, having lower credit ratings than their parents.

The growing U.S. familiarity with the London dollar CD market and the general desire

to restrict dollar investments today to short term paper have together caused a doubling of the market's outstanding issues in the last 15 months, to nearly \$44bn.

London market makers have been aware of the CBOT's aspirations since a team from Chicago visited the City last summer. Many traders would welcome a futures market since this would enable them to sell CDs short. But the likelihood of such a market appearing has to date been treated with scepticism.

One reason for this has been widespread doubt about the technical feasibility of the idea. Banks at present have no obligation to issue CDs at a future date. Dealers therefore question the feasibility of the short sale: who would guarantee delivery of the paper where a contract was allowed to mature? Yet the concept of the short sale is central to the function of a futures market.

The CBOT says that it is now in the process of setting up a delivery mechanism which will facilitate short sales. It has confirmed that discussions are proceeding with a number of major banks on this point.

A second query in the London market concerns the usefulness of CD futures. One concern is that the paper is a prominent market maker thought that futures would serve no practical purpose and would only provide scope for professionals' punting.

But this view may have to be revised. The CBOT has done its legwork among the US treasurers whose cash feeds the London market—and it believes there exists a need of the hedging capability that a futures market would provide.

Demonstration of the economic need for the market is a major part of the CBOT's official submission in Washington. The volatility of interest rates in today's financial environment is presented as the key justification of financial futures. And the CBOT has none of the doubts that are expressed in the London market about the willingness of US treasurers to use so sophisticated a tool.

One final hurdle might

remain. Some London dealers doubt the willingness of the Bank of England to lend its backing to CD futures. But with exchange control regulations dismantled, banks in London no longer require the Bank's authorisation to issue CDs and probably a CBOT market could be started regardless of the Bank's attitude. Nevertheless the policy of London houses towards it would be influenced by the Bank's attitude.

No official opinion has yet been sought from the Bank. Officials have shown no great enthusiasm for the report presented last year by the International Commodities Clearing House. This dealt with the whole subject of futures markets for financial instruments. But so far it has received only preliminary and very informal discussion.

The Bank's first concern is known to be the impact of futures markets generally on the operations of the original markets on which they are built. An unfavourable view of this impact might prompt opposition to the market in the present case in order partly to deter similar developments elsewhere—not least, in the gilt market.

Implied levelling

An active futures market would be bound to affect trading in London dollar CDs. For example, market makers at present will trade on the finest rate for four banks only. A futures market, it is thought, would require a tier of perhaps 10 banks carrying the same price. The implied levelling effect would create problems for most traders.

The CBOT says that there have been communications with the Bank of England—and that so far it has not learned of anything to discourage it.

The CBOT is not yet ready to release further details. This cautious approach is prompted, said one official, by fear of disclosing information to the opposition. It is believed that the Mercantile Exchange in Chicago as well as the other commodities exchanges in New York would also like to pursue the possibilities of the London dollar CD market.

Financial
rand loan
ceiling
exceeded

By Bernard Simon in Johannesburg

THE SOUTH AFRICAN Reserve Bank has asked a local bank to bring its financial rand overdraft facilities to foreign arbitrageurs within its authorised limits, after the ceiling on the overdrafts laid down by the central bank.

As a result of the Reserve Bank's action, French Bank, which is controlled by Banque de l'Indochine et de Suez, was unable to meet payments earlier this week to at least two Johannesburg stockbrokers who had accepted scrip from local sellers for delivery to foreign buyers.

French Bank is one of several dealers in financial rand authorised to provide bridging finance to brokers to tide them over the time between the clearance of a sale on the Johannesburg Stock Exchange and the arrival of funds or matching scrip from the overseas buyer. The brokers concerned have been to borrow rand from local banks until financial rand is available. Reports indicate that the amounts involved run into several million rand, and the demand for financial rand to meet this obligation could keep the market tight for another few days.

A senior French Bank executive described the affair yesterday as "a storm in a teacup." He said that the bank had exceeded its limits because heavy trading in gold shares had led to "high demand" for bridging facilities from overseas arbitrageurs.

Banks agree that the Reserve Bank's limits, believed to total around R100m, have been inadequate to finance the surge in stock market turnover. The limits of some banks have been raised in the past few days, however. The Reserve Bank said yesterday that no application for higher limits has been refused. Before approval is given, however, the banks have to stay within their existing ceilings.

Acmil lifts
interim
dividend

By Our Sydney Correspondent

ACMIL, the diversified building products group, has raised its interim dividend from 2.5 cents to 3 cents a share following a 67 per cent jump in earnings for the December six months, from A\$6.14m to A\$10.25m (US\$11.35m). The result comes only a few weeks after Acmil and its stakeholder Brambles Industries called off a proposed A\$142m merger.

For the past three years Acmil has paid a total dividend of 5.25 cents, but the latest interim could indicate a higher full-year payout. Earnings a share for the period rose from 5.3 cents to 7.9 cents.

The directors of Acmil said that all major operating divisions, including recent acquisitions, improved their performance in the latest half. Sales for the half year rose from A\$131m to A\$177m.

Issue of China
bonds in Hong
Kong delayed

By Anthony Rowley in Hong Kong

A BANK OF CHINA spokesman in Hong Kong has denied reports by the official New China News Agency (NCNA) that the bank has started selling in Hong Kong the Renminbi bonds being issued by Fujian Province's investment and enterprise corporation.

The NCNA reported on January 29 that the bonds had gone on sale this month through the Bank of China both in Fujian Province and in Hong Kong.

A spokesman for the Bank of China branch in Hong Kong said yesterday, however, that sales (in Hong Kong) had been delayed and no date will be fixed before full details of the bond sales programme have been received from Fujian Province.

No reason was given for the delay but Mr. Zhao Yi, the deputy governor of Fujian, and president of the investment and enterprise company, said earlier this month that negotiations between the provincial authorities and the Bank of China headquarters in Peking had to be completed before the bank would handle sales in Hong Kong. Assuming that the bonds do eventually appear in Hong Kong, they will mark the first issue of Chinese debt instruments of this sort which is to be available to foreign investors.

The financing of the People's Republic of China in 1979. There is speculation that China may have delayed issuing the bonds in Hong Kong because of possible legal problems over the status of outstanding Chinese bonds issued by former Chinese regimes.

ANZ flotation of
New Zealand
offshoot hits snag

BY JAMES FORTH IN SYDNEY

A PROPOSED public flotation by the ANZ Banking Group of its New Zealand offshoot, ran into a hitch yesterday, and led to the suspension of share-market trading in one of NZ's major finance company's UDC Group Holdings.

Premature release of confidential details in the prospectus for the float revealed that the NZ offshoot of the ANZ planned to make a takeover offer for UDC, in which the bank already has a 65 per cent controlling interest. The NZ Stock Exchange Association suspended trading in UDC pending clarification, after Press reports that the ANZ had made a takeover bid for the company and a statement by the financier that no formal bid has been received.

ANZ planned to bid for the remainder of UDC at NZ\$1.75

—the same price at which the NZ public will be offered shares in the bank. It will be the first Australian bank to float to the NZ public. The Bank of New Zealand, the National Bank of Australia and the Commercial Bank of Australia all operate in NZ.

The ANZ's operation in NZ earned NZ\$10.4m (US\$10.2m) last year. The public will be offered a 15 per cent stake, and the issue will raise NZ\$11.88m, lifting the paid capital to NZ\$44.4m.

After the issue, the ANZ Banking Group will retain a holding of 75 per cent of the capital, ex-UDC shareholders would own another 8.7 per cent, NZ staff 1.2 per cent, and the public 15 per cent. The prospectus predicts that profits will show satisfactory growth and should be significantly higher than in 1979.

Recovery at NBT

BY WONG SULONG IN KUALA LUMPUR

NORTH BORNEO Timbers Berhad (NBT), the Malaysian timber group, has recorded interim pre-tax profits of 8m ringgit (\$3.66m). In the same period of last year the group made a loss of 1.8m ringgit, despite much higher production and log sales.

NBT said log sales for the six months ended November 1979 were 6.26m cu ft against 7.4m cu ft, but due to favourable prices, returns amounted to 9.14 ringgit per cu ft compared with 3.85 ringgit previously. Profits would have been much higher but for the sharply increased royalties paid to Sabah State.

In his review Mr. Akbar

Hydari, the chairman, pointed out that log prices were buoyant during the first quarter, but the market fell so badly in October that the group temporarily suspended operations. However, prices quickly recovered, and operations are back to normal.

Cocoa sales provided a useful though not significant contribution to group earnings. The group is not giving a dividend at this stage. Mr. Hydari said prospects appear encouraging, but in view of the highly cyclical nature of the business and the severity of the monsoon, the group's full-year result could not be accurately assessed.

Earnings jump at Bank
of Bahrain and Kuwait

BY MARY FRINGS IN BAHRAIN

THE BANK of Bahrain and Kuwait (BBK) has announced record profits for 1979, and has declared for the first time a one-for-two scrip issue. A 10 per cent dividend is recommended, equivalent to 22 per cent of the bank's ordinary net income.

Unaudited figures for 1979 show a 49 per cent earnings increase over the previous year, from BD 1.57m (US\$4.16m) to BD 2.34m (US\$6.21m). But this does not include profits on the handling of public share issues, particularly that for Gulf

Investment Company last October, which was 1,263 times over-subscribed.

Loan interest and handling charges on the share issues brought BBK an extra BD 3.42m, which is being transferred to general reserves and substantially passed on to shareholders in the form of the scrip issue.

The bank's authorised capital is to be increased from BD 5m to BD 10m to accommodate the distribution, which will raise the paid-up capital to BD 7.5m.

NOTICE

To the holders of the Floating Rate London Dollar

Certificates of Deposit due August, 1982, of:

DOW BANKING CORPORATION

108, Fenchurch Street, London, EC3.

We hereby certify that the rate of interest payable on the above-mentioned Certificates of Deposit for the Interest Period beginning on the 4th day of February, 1980, is 14 1/4 per cent per annum and the Interest Payment Date relating thereto is the 4th day of August, 1980.

EUROPEAN BANKING COMPANY LIMITED

BASE LENDING RATES

A.B.N. Bank	17 1/2 %	Guinness Mahon	17 1/2 %
Allied Irish Bank	17 1/2 %	Hambros Bank	17 1/2 %
Amro Bank	17 1/2 %	Il Samuel	17 1/2 %
American Express Bk	17 1/2 %	C. Hoare & Co.	17 1/2 %
Henry Arnsbacher	17 1/2 %	Hongkong & Shanghai	17 1/2 %
A.P. Bank Ltd.	17 1/2 %	Industrial Bk. of Scot.	17 1/2 %
Arbuthnot Latham	17 1/2 %	Keyser Ullmann	17 1/2 %
Associates Cap. Corp.	17 1/2 %	Knobley & Co. Ltd.	17 1/2 %
Banco de Bilbao	17 1/2 %	Lloyds Bank	17 1/2 %
Bank of Credit & Comm.	17 1/2 %	Edward-Manson & Co.	17 1/2 %
Bank of Cyprus	17 1/2 %	Midland Bank	17 1/2 %
Bank of N.S.W.	17 1/2 %	Samuel Montagu	17 1/2 %
Banque Belge Ltd.	17 1/2 %	Morgan Grenfell	17 1/2 %
Banque de Rouen et de	17 1/2 %	National Westminster	17 1/2 %
la Tamise S.A.	17 1/2 %	Norwich General Trust	17 1/2 %
Barclays Bank	17 1/2 %	P. S. Refson & Co.	17 1/2 %
Bear Stearns	17 1/2 %	Rossmore	17 1/2 %
Bonar Holdings Ltd.	17 1/2 %	Royal Bank Canada (Ldn.)	17 1/2 %
Brit. Bank of Mid. East	17 1/2 %	Schlesinger Limited	17 1/2 %
Brown Shipley	17 1/2 %	E. S. Schwab	17 1/2 %
Canada Perm. Trust	17 1/2 %	Security Trust Co. Ltd.	17 1/2 %
Cayzer Ltd.	17 1/2 %	Standard Chartered	17 1/2 %
Cedar Holdings	17 1/2 %	Trade Dev. Bank	17 1/2 %
Charterhouse Japhet	17 1/2 %	Twentieth Century Bk.	17 1/2 %
C.E. Coates	17 1/2 %	United Bank of Kuwait	17 1/2 %
Consolidated Credits	17 1/2 %	Whiteaway Laidlaw	17 1/2 %
Co-operative Bank	17 1/2 %	Williams & Glyn's	17 1/2 %
Corinthian Secs.	17 1/2 %	Yorkshire Bank	17 1/2 %
The Cyprus Popular Bk.	17 1/2 %		
Dunlop & Co.	17 1/2 %		
East Trust	17 1/2 %		
E. T. Trust Limited	17 1/2 %		
First Nat. Fin. Corp.	18 1/2 %		
First Nat. Secs. Ltd.	18 1/2 %		
Robert Fraser	18 1/2 %		
Anthony Gibbs	17 1/2 %		
Greyhound Guaranty	17 1/2 %		
Grindlays Bank	17 1/2 %		

Members of the Accepting Houses Committee:
7-day deposits 15%, 1-month deposits 15%,
1-3 month deposits 15%,
3-6 month deposits 15%,
6-12 month deposits 15%,
Demand deposits 15%.

Nacional Financiera, S.A.

7 1/2 % External Loan 1982

Singer & Friedlander Ltd., announce that the redemption instalment of U.S. \$900,000 due 1st March 1980 has been met by purchases in the market to the nominal value of U.S. \$82,000 and by a drawing of Bonds to the nominal value of U.S. \$818,000.

The distinctive numbers of the Bonds, drawn in the presence of a Notary Public are as follows:

13153	13154	13155	13156	13157	13158	13159	13160	13161	13162	13163	13164	13167
13168	13169	13170	13171	13172	13173	13174	13175	13176	13177	13178	13179	13180
13181	13182	13183	13184	13185	13186	13187	13188	13189	13190	13191	13192	13193
13194	13195	13196	13197	13198	13199	13200	13201	13202	13203	13204	13205	13206
13207	13208	13209	13210	13211	13212	13213	13214	13215	13216	13217	13218	13219
13220	13221	13222	13223	13224	13225	13226	13227	13228	13229	13230	13231	13232
13233	13234	13235	13236	13237	13238	13239	13240	13241	13242	13243	13244	13245
13246	13247	13248	13249	13250	13251	13252	13253	13254	13255	13256	13257	13258
13259	13260	13261	13262	13263	13264	13265	13266	13267	13268	13269	13270	13271
13272	13273	13274	13275	13276	13277	13278	13279	13280	13281	13282	13283	13284
13285	13286	13287	13288	13289	13290	13291	13292	13293	13294	13295	13296	13297
13298	13299	13300	13301	13302	13303	13304	13305	13306	13307	13308	13309	13310
13311	13312	13313	13314	13315	13316	13317	13318	13319	13320	13321	13322	13323
13324	13325	13326	13327	13328	13329	13330	13331	13332	13333	13334	13335	13336
13337	13338	13339	13340	13341	13342	13343	13344	13345	13346	13347	13348	13349
13350	13351	13352	13353	13354	13355	13356	13357	13358	13359	13360	13361	13362
13363	13364	13365	13366	13367	13368	13369	13370	13371	13372	13373	13374	13375
13376	13377	13378	13379	13380	13381	13382	13383	13384	13385	13386	13387	13388
13389	13390	13391	13392	13393	13394	13395	13396	13397	13398	13399	13400	13401
13402	13403	13404	13405	13406	13407	13408	13409	13410	13411	13412	13413	13414
13415	13416	13417	13418	13419	13420	13421	13422	13423	13424	13425	13426	13427
13428	13429	13430	13431	13432	13433	13434	13435	13436	13437	13438	13439	13440
13441	13442	13443	13444	13445	13446	13447	13448	13449	13450	13451	13452	13453
13454	13455	13456	13457	13458	13459	13460	13461	13462	13463	13464	13465	13466
13467	13468	13469	13470	13471	13472	13473	13474	13475	13476	13477	13478	13479
13480	13481	13482	13483	13484	13485	13486	13487	13488	13489	13490	13491	13492
13493	13494	13495	13496	13497	13498	13499	13500	13501	13502	13503	13504	13505
13506	13507	13508	13509	13510	13511	13512	13513	13514	13515	13516	13517	13518
13519	13520	13521	13522	13523	13524	13525	13526	13527	13528	13529	13530	13531
13532	13533	13534	13535	13536	13537	13538	13539	13540	13541	13542	13543	13544
13545	13546	13547	13548	13549	13550	13551	13552	13553	13554	13555	13556	13557
13558	13559	13560	13561	13562	13563	13564	13565	13566	13567	13568	13569	13570
13571	13572	13573	13574	13575	13576	13577	13578	13579	13580	13581	13582	13583
13584	13585	13586	13587	13588	13589	13590	13591	13592	13593	13594	13595	13596
13597	13598	13599	13600	13601	13602	13603	13604	13605	13606	13607	13608	13609
13610	13611	13612	13613	13614	13615	13616	13617	13618	13619	13620	13621	13622
13623	13624	13625	13626	13627	13628	13629	13630	13631	13632	13633	13634	13635
13636	13637	13638	13639	13640	13641	13642	13643	13644	13645	13646	13647	13648
13649	13650	13651	13652	13653	13654	13655	13656	13657	13658	13659	13660	13661
13662	13663	13664	13665	13666	13667	13668	13669	13670	13671	13672	13673	13674
13675	13676	13677	13678	13679	13680	13681	13682	13683	13684	13685	13686	13687
13688	13689	13690	13691	13692	13693	13694	13695	13696	13697	13698	13699	13700
13701	13702	13703	13704	13705	13706	13707	13708	13709	13710	13711	13712	13713
13714	13715	13716	13717	13718	13719	13720	13721	13722	13723	13724	13725	13726
13727	13728	13729	13730	13731	13732	13733	13734	13735	13736	13737	13738	13739
13740	13741	13742	13743	13744	13745	13746	13747	13748	13749	13750	13751	13752
13753	13754	13755	13756	13757	13758	13759	13760	13761	13762	13763	13764	13765
13766	13767	13768	13769	13770	13771	13772	13773	13774	13775	13776	13777	13778
13779	13780	13781	13782	13783	13784	13785	13786	13787	13788	13789	13790	13791
13792	13793	13794	13795	13796	13797	13798	13799	13800	13801	13802	13803	13804
13805	13806	13807	13808	13809	13810	13811	13812	13813	13814	13815	13816	13817
13818	13819	13820	13821	13822	13823	13824	13825	13826	13827	13828	13829	13830
13831	13832	13833	13834	13835	13836	13837	13838	13839	13840	13841	13842	13843
13844	13845	13846	13847	13848	13849	13850	13851	13852	13853	13854	13855	13856
13857	13858	13859	13860	13861	13862	13863	13864	13865	13866	13867	13868	13869
13870	13871	13872	13873	13874	13875	13876	13877	13878	13879	13880	13881	13882
13883	13884	13885	13886	13887	13888	13889	13890	13891	13892	13893	13894	13895
13896	13897	13898	13899	13900	13901	13902	13903	13904	13905	13906	13907	13908
13909	13910	13911	13912	13913	13914	13915	13916	13917	13918	13919	13920	13921
13922	13923	13924	13925	13926	13927	13928	13929	13930	13931	13932	13933	13934
13935	13936	13937	13938	13939	13940	13941	13942	13943	13944	13945	13946	13947
13948	13949	13950	13951	13952	13953	13954	13955	13956	13957	13958	13959	13960
13961	13962	13963	13964	13965	13966	13967	13968	13969	13970	13971	13972	13973
13974	13975	13976	13977	13978	13979	13980	13981	13982	13983	13984	13985	13986
13987	13988	13989	13990	13991	13992	13993	13994	13995	13996	13997	13998	13999
14000	14001	14002	14003	14004	14005	14006	14007	14008	14009	14010	14011	14012
14013	14014	14015	14016	14017	14018	14019	14020	14021	14022	14023	14024	14025
14026	14027	14028	14029	14030	14031	14032	14033	14034	14035	14036	14037	14038
14039	14040	14041	14042	14043	14044	14045	14046	14047	14048	14049	14050	14051
14052	14053	14054	14055	14056	14057	14058	14059	14060	14061	14062	14063	14064
14065	14066	14067	14068	14069	14070	14071	14072	14073	14074	14075	14076	14077
14078	14079	14080	14081	14082	14083	14084	14085	14086	14087	14088	14089	14090
14091	14092	14093	14094	14095	14096	14097	14098	14099	14100	14101	14102	14103
14104	14105	14106	14107	14108	14109	14110	14111	14112	14113	14114	14115	14116
14117	14118	14119	14120	14121	14122	14123	14124	14125	14126	14127	14128	14129
14130	14131	14132	14133	14134	14135	14136	14137	14138	14139	14140	14141	14142
14143	14144	14145	14146	14147	14148	14149	14150	14151	14152	14153	14154	14155
14156	14157	14158	14159	14160	14161	14162	14163	14164	14165	14166	14167	14168
14169	14170	14171	14172	14173	14174	14175	14176	14177	14178	14179	14180	14181
14182	14183	14184	14185	14186	14187	14188	14189	14190	14191	14192	14193	14194
14195	14196	14197	14198	14199	14200	14201	14202	14203	14204	14205	14206	14207
14208	14209	14210	14211	14212	14213	14214	14215	14216	14217	14218	14219	14220
14221	14222	14223	14224	14225	14226	14227	14228	14229	14230	14231	14232	14233
14234	14235	14236	14237	14238	14239	14240	14241	14242	14243	14244	14245	14246
14247	14248	14249	14250	14251	14252	14253	14254	14255	14256	14257	14258	14259
14260	14261	14262	14263	14264	14265	14266	14267	14268	14269	14270	14271	14272
14273	14274	14275	14276	14277	14278	14279	14280	14281	14282	14283	14284	14285
14286	14287	14288	14289	14290	14291	14292	14293	14294	14295	14296	14297	14298
14299	14300	14301	14302	14303	14304	14305	14306	14307	14308	14309	14310	14311
14312	14313	14314	14315	14316	14317	14318	14319	14320	14321	14322	14323	14324
14325	14326	14327	14328	14329	14330	14331	14332	14333	14334	14335	14336	14337
14338	14339	14340	14341	14342	14343	14344	14345	14346	14347	14348	14349	14350
14351	14352	14353	14354	14355								

Commodities and Markets

\$ & £ firm

The dollar and sterling remained firm in quiet foreign exchange trading yesterday. The dollar improved on indications of a slight easing of tension in the Middle East, including an improvement in the Afghanistan situation. It finished around the firmest level of the day against the D-mark at DM 1.7440, compared with DM 1.7370 previously, and improved to DM 1.6370 from DM 1.6210 against the Swiss franc. The dollar's trade-weighted index, as calculated by the Bank of England, rose to 85.1 from 85.0.

Sterling opened at \$2.2650, and fell to a low point of \$2.2640-\$2.2650, but improved to a general level of \$2.2675 for most of the day, helped by firm London interest rates. In the afternoon the pound touched \$2.2685-\$2.2705 and closed at \$2.2665-\$2.2675, a rise of 50 points on the day. Its trade-weighted index, as calculated by the Bank of England, rose to 71.8 from 71.7 after standing at 71.6 at noon and 71.7 in the morning.

D-MARK—Very strong, but remaining steady within the European Monetary System recently. The D-mark showed a little adverse reaction to Germany's record trade deficit last year and expectations of even worse figures in 1980. It was little changed against EMS currencies at the Frankfurt fixing, and improved in terms of the Swiss franc. The Bundesbank did not intervene when the dollar was fixed at DM 1.7384, compared with DM 1.7340 previously, while sterling rose to DM 3.9450 from DM 3.9230.

FRENCH FRANC—Strongest member of the EMS since late December. The franc lost ground against most EMS members at the Paris fixing. Outside the EMS the dollar rose to FF 4.9710 from FF 4.9595, and the Swiss franc fell to FF 1.9700 from FF 1.9735.

from FF 2.5112. DANISH KRONE—Basically weak, suffering two devaluations since the EMS began last March. The krone weakened against major currencies at the Copenhagen fixing, and probably received support from the Danish central bank. Market estimates of intervention by the authorities suggested a figure of around \$50m, amid speculation that Bank Rate may be increased to the near future. It has remained at 11 per cent since September 17. All members of the EMS improved against the krone at the fixing with the D-mark rising to DKr 3.1290 from DKr 3.1270, and the French franc to DKr 1.3385 from DKr 1.3368.

Outside the EMS the dollar rose to DKr 5.4200 from DKr 5.4100, and sterling to DKr 12.8365 from DKr 12.8270. On the other hand the Swiss franc eased to DKr 3.3485 from DKr 3.3560.

BELGIAN FRANC—Generally weakest member of EMS, but resists devaluation. The franc lost ground at the Brussels fixing against all its EMS partners, except the Danish krone which fell to Bfr 5.19 from Bfr 5.1960. Among non EMS currencies the Swiss franc was weak, declining to Bfr 17.395 from Bfr 17.425.

ITALIAN LIRA—Firmly recently after falling from the top of the EMS last November. The lira continued to improve against members of the EMS, but weakened against the dollar and sterling at the Milan fixing. One of the strongest European currencies, but slightly weaker against D-mark since the new year. The franc continued to lose ground against the D-mark despite Germany's current account deficit last year. It also fell against other European currencies, and the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 31	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.727	40.682	+1.77	+1.46	-1.83
Danish Krone	7.27338	7.39710	+1.67	+0.93	-1.08
German O-Mark	1.72326	2.08376	+0.47	+0.18	-1.129
French Franc	6.27553	6.33787	+0.97	+0.46	-0.567
Dutch Guilder	2.75325	2.76525	+0.37	+0.04	-1.512
Irish Punt	0.68620	0.674678	-0.29	+0.66	-0.626
Italian Lira	1.36779	1155.46	+0.62	+0.02	-1.496

Change in the ECU thresholds for currency divergences
is a weak currency. Adjustment calculated by Financial Times.

Equities remain sensitive to international situation Short Gilts under pressure owing to credit shortage

Account Dealing Dates

*First Declared Last Account

Dealings close 11.30 a.m. on the day of the account dealing date.

New time dealings may take place from 9.30 a.m. two business days earlier.

Leading equities received an initial boost yesterday on hopes of a recovery in the U.S. market.

Prices were eased some by a higher but institutional buyers again held off and scattered profit-taking soon began to pare the gains.

Subsequently, the market became agitated by conflicting reports about the situation in Afghanistan and about the U.S. hostages in Tehran. Sentiment in the market was not helped by the ultra-sensitive attitude of one firm of leading jobbers, reflected in sharp mark-downs which tended to inhibit business and send potential buyers scurrying to the sidelines.

Rallying movements were attempted but proved to be short-lived until trade after the official close when leading shares picked up from the day's lowest.

The FT 30-share index amply charted the course of events with a rise of 3.9 at the first calculation of the day, a net loss of 1.7 an hour later which was followed by a recovery to a closing level of 4.3 at 4.53.3.

A continued shortage of credit in money markets put Discount Houses under pressure and their efforts to become more liquid showed through in substantial selling of short-dated gilt-edged securities. The market steadied during the after-hours trade but losses, stretching to 2, were finally reduced by only 1.

The short put, Exchequer 13½ per cent 1985 (200-paid), which was activated last week at 60½, closed 1½ down at 59.

After a steady start, longer-dated issues followed the downturn in the shorts and ended with falls extending to 1.

Interest continued to focus on the recently-exhausted tap stock, Treasury 1½ per cent A 2003-05, which settled at amount lower at 224½ in 225-paid form; in first-time dealings last Friday the stock touched 226½.

Gold shares were again dominated by the antics of the hallion price and yesterday's fall in the latter brought a sharp mark-down from which the share market failed to recover. Yet again, the movement in the FT Gold Mines index reached double figures with a loss of 20.6 at 339.9.

Demand for Traded options contracted 673 deals being arranged compared with the previous day's 1,030. The more active issues included RTZ, 145, BP, 125, and Rascal, 110.

Hamroos up again

Midland edged forward a couple of pence more to 377½ but other major clearing banks drifted lower on lack of support.

Lloyds dipped 4 to 308½, while Barclays, 432½, and NatWest, 362½, cheapened 3 pence. Elsewhere, Bank Leu (UK) rose 10 to 120½ in response to the results but Hongkong and Shanghai, at 196½, lost 4 of the recent rise which followed news of U.S. clearance for the group's £140m takeover of Marine Midland.

Still, the FT 30-share index, which was activated last week at 60½, closed 1½ down at 59.

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Subsequently, the market became agitated by conflicting reports about the situation in Afghanistan and about the U.S. hostages in Tehran. Sentiment in the market was not helped by the ultra-sensitive attitude of one firm of leading jobbers, reflected in sharp mark-downs which tended to inhibit business and send potential buyers scurrying to the sidelines.

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Dealings in the latter, suspended at 13.30 pending the announcement, resumed at the day's peak of 1600 before settling at 1500 for a net gain of 14.

Other leading equities tended easier in reaction to the Allied placing. Bass declined 6 to 200p, while Scottish and Newcastle eased 1½ to 57½p. Among regional issues, Davenport encountered renewed takeover speculation and improved 7 to 15½p, while Morland continued firm, closing 3 better at 103p, as did Home Brewery, at 325p.

Leading Building descriptions closed a similar amount up at 184p and Bolton Textile hardened 2 to 30p. In Shoes, Style lost 5 more to 160p.

Louis Newmark responded to the increased interim dividend and profits with a gain of 12 to 245p, while occasional support ahead of next Tuesday's half-yearly statement left Unitich 3 to the good at 240p.

Elsewhere in Electricals, Armstrong Security improved 5 to 245p, but United Scientific, a good market of late, encountered scattered selling and reacted to 428p. Leading issues fluctuated

trend with Tate and Lyle declining 5 to 170p and Rowntree Mackintosh 4 to 158p. Biscuits concerns Associated, 38p, and United, 33p, shed 2 and 4 respectively. Small selling in a thin market left Taverne Rutledge 2 cheaper at 30p, but Bernard Matthews responded to occasional support and added 7 to 280p.

Louis C. Edwards put on 5½ to 57½p on the acquisition of Dalgety's Frozen Food subsidiary by the firm's parent, W. J. Edwards, the former's prospective merger partner, held at 106p.

In Hotels and Caterers, renewed interest was shown in Ladbroke which firmed 9 to 183p.

Beecham & Glaxo dull

Rumours of a drug price war in the U.S. unsettled Beecham and Glaxo. The former fell 7 to 123p and the latter 13 to 477p. Other miscellaneous industrial leaders drifted lower on lack of support to close with falls of 12p, but Milford Docks came on offer at 187p, down 10.

Plantations continued to respond to small buying in narrow markets, although some profit-taking became apparent and most finished a shade below the day's best. Lendax, 93p, and Rembia, 80p, both jumped around 1½, while Bertram rose 3 to 281p, as did Guthrie, at 708p. Padang Senang added 13 to 100p, but Sangei Babu shed that amount to 213p. Teas also attracted support with Lamsa Russell rose 21 to 340p following the disposal of all its holdings in London Sumatra, 10 up at 435p. Warren, up to 157p ahead of the announcement, fell back to 140p, but overnight level of 157p following the lower first-half profits.

South African Golds gave up more than half the gains of the previous two days as the bullion price fell sharply to close 340 off at 8650 an ounce.

FINANCE: LAND—Continued

[illegible][illegible]

3-month Call Rates				
Industrials	I.C.I.	22	Utd. Drapery	9
A. Brew.	"Imps"	7	Vicars	14
B.O.C. Ind.	I.C.L.	45	Woolworths	6 1/2
B.S.R.	Inverness	5		
Babcock	Ladbroke	15	Property	
Barclays Bank	Legal & Gen.	14	Strt. Land	7 1/2
Bechtam	Leas. Servs.	10	Cap. Counts	
Bank of India	Loxley	30	Land Secs.	7 1/2
Bank of China	Loxley	30		

[illegible]

Thatcher denial on telephone tapping

BY PHILIP RAWSTORNE

MRS. MARGARET THATCHER and Mr. William Whitelaw, the Home Secretary, gave firm assurances in the House of Commons yesterday that no unauthorised telephone tapping was being carried out by the security services or police.

They faced a barrage of questions from MPs after a report in the New Statesman alleged that illegal surveillance operations were being conducted from a Post Office building in Ebury Bridge Road, London.

The report said that computerised equipment capable of tapping 1,000 telephone lines simultaneously was being used.

Neither Mrs. Thatcher nor Mr. Whitelaw could comment on details of the report.

But the Prime Minister declared: "There is effective political control of the security services. There is also effective ministerial control of telephone interceptions."

Mr. Whitelaw, responding to demands for a full inquiry and legislation to safeguard individual rights, said MPs that he would be making a Commons statement soon.

The Home Office was currently studying issues raised in the case of Mr. James Malone, a Surrey antique dealer.

Mr. Malone made an unsuccessful High Court attempt last year to force the Metropolitan Police to justify its legal right to tap telephones.

But Mr. Whitelaw vehemently denied yesterday that any surveillance was being carried out except on the authority of individual warrants signed by himself.

The interception of postal and telephone communications was a vital weapon in combating serious crime such as drug smuggling and terrorism, he said.

It was carried out by the Post Office on behalf of the police, Customs and Excise and the security services.

Mr. Whitelaw stressed that there had been no change in procedures and that he exercised his responsibility "personally and with great care."

John Lloyd writes: The Post Office would not confirm that 93 Ebury Bridge Road, in Chelsea, was the national centre for the interception of calls.

The Post Office statement, however, dispelled the common belief that all authorisations must be given by the Home Secretary. Its statement said that "every case (of tapping) has to be personally approved by a Secretary of State."

The Home Office confirmed that authorisation for a tap could be given by any Secretary of State if the Home Secretary was abroad.

In a radio interview, Mr. Merlyn Rees, the former Home Secretary, said that "every phone tap comes, not just nominally to the Home Secretary, but firmly to the Home Secretary."

He said that taps were made in cases of major crime, terrorism and serious subversion. The number of taps he had authorised in a year was "not in the thousands."

Mr. Rees said, however, that it was now time that a major report was undertaken.

Mr. Brian Stanley, the general secretary of the Post Office Engineering Union, also called for an immediate inquiry.

"Such an inquiry might be conducted by three Privy Counsellors and should result in as full a public report as is consistent with proper security considerations," this inquiry might well establish that the situation has changed significantly since the Birkett Report of 23 years ago, and it would establish that Post Office engineers are not involved."

Parliament, Page 12; Men and Matters, Page 18

Rough diamond

a hedge against falling values of paper money.

By increasing the price levels at the highest end of the market, the selling organisation is underlining the contrast with prices for smaller diamonds, which retail in jewellery at anything from £100 to £1,500.

At the highest end of the world market, as much as £22,000 might be asked for a one-carat stone of the very rare "D" flawless quality.

Despite the price increases since 1978, the value of rough diamonds sold by the organisation to the market last year increased only slightly to a record 2,590m (£1.15bn) from 2,550m in 1978, suggesting that fewer diamonds were sold and also reflecting the fall in the value of the dollar.

TUC warns Ministers of social unrest risk

BY CHRISTIAN TYLER, LABOUR EDITOR

BRITAIN FACED serious social unrest if the Government did not quickly intervene to prevent rapid rundown of the steel and coal industries, the TUC warned Ministers last night.

Senior members of the Cabinet, including the Chancellor and the Secretaries for Industry and Employment, met a delegation of TUC leaders from the nationalised industries against a background of mounting protests in Wales, and the fear of some union general secretaries that the country might drift into a General Strike.

Mr. Len Murray, TUC general secretary, said afterwards that he had tried to impress on the Ministers that the situation could "get out of control" if the timetable for further steel plant closures was not greatly relaxed.

"We tried to give them a sense of the outrage that is felt. It has not been whipped up or stirred up in any way. You only have to look at South Wales to see that."

Ministers' answers had been anything but clear, and very little had come from the meeting.

The TUC proposed to put these questions to the Government in writing, concerning BSC's closure timetable, availability of EEC aid and the subsidy of coking coal. If the answers showed there to be no change of mind, then "we are in for a very rough time," Mr. Murray said.

On what form any reaction would take, and what part the TUC would play in that reaction, Mr. Murray refused to

speculate. With the threat of prolonged industrial action in South Wales from March 10 some kind of conclusion to the present discussions can be expected by the end of this month.

Although the talks ranged over Government policy as a whole, it focused on TUC demands for a deferred timetable of BSC closures to mitigate the social consequences for large communities; more active investigation of the scope for further EEC aid to steel and coal; and a subsidy for coking coal that would prevent BSC going abroad for more and cheaper supplies next year.

Ministers appeared adamant that BSC's closure timetable was a matter for the Corporation, while recognising the need for full consultation with the unions.

They rejected the TUC's charge that the Government had not been vigorous enough in claiming social grants from the EEC, and said that any subsidy of coking coal would have to be found by the National Coal Board from within the cash limit already laid down.

Sir Geoffrey Howe, the Chancellor, stressed that the Government recognised its social responsibility and was already preparing "remedial measures" to cushion communities hit by cuts.

Asked about the threat of industrial action from South Wales, he said: "We hope that further industrial action does not take place."

By taking strike action you don't do anything for national

wealth, national prosperity or job security, whether in Wales or in the UK as a whole."

The meeting had produced a better understanding of each side's views, and he hoped there could be further meetings, as with the chairmen of nationalised industries, to discuss specific issues.

The Chancellor repeatedly emphasised that Government policy was designed to make the steel industry healthy and competitive in the long term.

Continued subsidies were not in the long-term interest of the industry or the economy as a whole, and taxpayers' money should be released as early as possible for other purposes.

He was strongly supported by Sir Keith Joseph, the Industry Secretary, who said plainly that the Government would not intervene in BSC's plans to shed 50,000 jobs by August. That was the BSC's responsibility alone.

Asked about the coking coal subsidy of £18m for which the miners are looking to state oil further redundancies, Mr. John Moore, Minister responsible for coal, said that the higher price of oil gave the Coal Board more

backroom within which to do its own subsidy for the product. The Chancellor declared that the Government's policy toward the nationalised industries was "part of a seamless web of reality."

The next move from the TUC will come when it has heard the answer to its three questions on BSC's closure timetable, availability of EEC aid, and the subsidy of coking coal.

Callaghan attack on EEC delays

By Richard Evans, Lobby Editor

MINISTERS now accept privately that the Government could face severe political and economic difficulties because of the delay in recouping a substantial slice of the UK's budget contribution to the European Community.

Opposition leaders moved immediately yesterday to exploit the Prime Minister's failure to achieve the hoped for special summit next month to settle British demands.

Mrs. Thatcher's claim in the Commons that the Community was "moving towards our position" was greeted with derisive laughter by the Opposition and Mr. Callaghan repeatedly challenged her to admit she had retreated since the Dublin summit when "a broad balance" was struck.

Britain's contribution was demanded.

The view among some Ministers as well as Opposition leaders following the talks between Mrs. Thatcher and Srg. Cossiga, Italian president of the European Council, was that little apparent progress is being made in Britain's campaign to reach a firm settlement before the start of the next financial year.

As her Labour opponents pointed out failure would not only be a humiliating political reverse but would add added pressure on the Cabinet to achieve greater public expenditure cuts, in 1980-81.

The Cabinet's problem is that any postponement of a decision on the budget contribution would mean that an EEC rebate could not be included in the White Paper due in March on the further round of public expenditure cuts next year.

Mrs. Thatcher has confirmed that further cuts of £2bn are being sought but that this includes the £1bn refund, or a substantial portion of it.

The Cabinet spent three hours yesterday discussing the public expenditure cuts and the index of retail prices, although substantial progress was made on a series of departmental options, there is a continuing rearguard action against Treasury demands.

The review has still not been completed and further Ministerial meetings will be necessary before the White Paper can be drafted.

Meanwhile Ministers remain outwardly optimistic that success will be achieved at the March EEC summit.

Parliament, Page 12

Smith's advice: back Nkomo

BY TONY HAWKINS IN SALISBURY

MR. IAN SMITH, the former Rhodesian Prime Minister, yesterday came out publicly in support of Mr. Joshua Nkomo, leader of the Patriotic Front, and against his rival, Mr. Robert Mugabe, in a move apparently designed to lay the foundations of a moderate coalition Government after this month's elections.

His advice to black voters, he said, was to avoid both guerrilla parties, but "if you have to choose between them, then Nkomo is the better bet."

In spite of his role in the war, the veteran nationalist leader is regarded as more moderate and pragmatic than Mr. Mugabe.

Mr. Smith's intervention comes amid growing indications that his ally in the "internal settlement" government, Bishop Abel Muzorewa, is losing support to Mr. Nkomo's Patriotic Front and Mr. Mugabe's Zimbabwe African National Union (ZANU).

Speaking to a group of some 75 white farmers in south-west Rhodesia, the former Premier said that employers should tell

their workers to turn away from Marxism.

His comments were promptly attacked by a spokesman for Mr. Nkomo, who said that the Patriotic Front leader did not want Mr. Smith's backing.

Mr. Smith admitted that a straight choice between Mr. Nkomo, whose guerrillas were responsible for the shooting down of two civilian Viscount airliners during the war, and Mr. Mugabe might seem distasteful to some people.

But the better choice was Mr. Nkomo, he said, going on to attack his former colleagues in the Salisbury Government delegation at the Lancaster House talks who had supported Britain's settlement plan.

He had warned them what would happen "but they laughed at me." Now they were admitting he was right, said Mr. Smith. They had been "taken for a ride" by the British.

The Rhodesian Front, led by Mr. Smith, seems certain to hold all 20 white seats in the 100-member parliament. Observers

believe Mr. Nkomo could secure 20 or more of the 80 black seats. While ZANU is generally expected to emerge as the largest single black party, Bishop Muzorewa, the Rev. Ndabingi Sithole and Mr. James Chikerema may be able to win sufficient seats to help Mr. Nkomo form a coalition.

However, Mr. Smith's endorsement is hardly likely to enthrall Mr. Nkomo, and his remarks have also angered the United African National Council of Bishop Muzorewa.

Mr. Ernest Bule, the party's second vice-president, said that the white leader was being "extremely dangerous and dangerous."

He added that it was time Mr. Smith stood aside for "more competent and respected whites."

In a Salisbury township a petrol bomb was thrown into the home of a ZANU party official, Mr. Pedzisayi Chikerema. He was away at the time of the attack but his daughter was seriously burned.

CGI finds Rhodesia a tough market, Page 6

Threat to arms control talks

BY PAUL LENDVAI IN VIENNA

NATO governments yesterday warned that the Soviet intervention in Afghanistan threatened the 19-nation East-West negotiations on arms control.

The general gloom at the 20th round of the Vienna talks on Mutual and Balanced Force Reductions was deepened by the Warsaw Pact's criticism of the latest NATO proposals for troop reductions.

Speaking for the West, Ambassador Edouard Molitor of Luxembourg said that "events elsewhere"—meaning Afghanistan—"diminished the level of mutual confidence which is vital to progress in any arms control negotiations."

NATO could not be blind, he added, to the fact that "those events have cast their shadow over the detente process."

The spokesman for the East, Ambassador Tadeusz Strulak of Poland, said that the NATO proposals submitted on December 20 were "devoid of any real significance."

He said the proposals were a convenient excuse for covering

Western unwillingness to reduce armaments.

The NATO proposals called for U.S.-Soviet reductions of 13,000 and 30,000 troops respectively. The West also proposed a system of advance notice of troop movements and other military activities.

Significantly, the NATO proposal ignored the Soviet unilateral withdrawal of 20,000 troops and 1,000 tanks from East Germany by October this year.

He repeated that the Eastern Bloc manpower exceeded NATO forces in the reduction area by more than 150,000.

The Polish diplomat said the deployment of new medium-range missiles in Western Europe would directly contradict the aim of reducing troops and arms in central Europe. He added that the indefinite postponement of Salt II ratification in the U.S. Senate did not help the atmosphere at the Vienna talks.

Ambassador Strulak at his press conference later tried to tone down the sharp comments

in his prepared statement and stressed that the Warsaw Pact had not fully rejected the latest NATO proposal but was still "studying" it.

He also pointed out that events in Afghanistan had had no influence on the troop-cut talks and reaffirmed that the talks were "continuing normally."

Some Western diplomats regarded these statements as proof that the Eastern side was still seeking to project the impression of a real interest in progress at the troop-cut talks.

Both the East and the West have expressed willingness to continue the search for an agreement, but Western observers see little hope for breaking the deadlock.

"The fact alone that the talks are still going on provides a ray of hope, but the general mood is more depressed than at any time since the full-scale talks began here in the autumn of 1973," one participant said.

The crisis in Afghanistan, Page 4

Continued from Page 1

Edwardes' warning to unions

unions' stand—"if lots abstain we would take it as a vote for management."

Asked whether BL could survive an extended steel strike, Sir Michael said the company had "reasonable" stocks and that it was not faced with an immediate prospect of lay-offs.

However, as the impact grows "there will be less money in the kitty. The steel strikes puts us in even less of a position to change the wage offer. But as to whether another four weeks of strike will bring BL to an end, that is very doubtful."

The pay ballot is not the only

pressing industrial relations issue facing BL. In the next few days the findings are expected to be announced of the AUEW's internal inquiry into the dismissal of Mr. Derek Robinson, the former Longbridge conveyor, who despite his sacking was re-elected as chairman of the unofficial Leyland Shop Stewards Committee.

Even if the union finds that he was unfairly dismissed, Sir Michael said yesterday, BL "would need remarkable new evidence to emerge" before it would consider reinstating him.

He attacked Mr. Robinson's

conduct at the plant, declaring that 87 per cent more man hours were lost during his tenure compared with a similar period under his predecessor.

"We got to the stage where only 4 per cent of working days were free of internal disputes and sanctions." He listed 523 disputes and the production loss of £2,000 and 118,000 engines as taking place under Mr. Robinson.

"Since he has gone, that figure (of days free of internal disputes) has gone from 4 per cent to 89 per cent," said Sir Michael.

Weather

FEBRUARY FORECAST

Very cold at first. Widespread snow, heavy in places. Mild rainy spells likely later.

UK TODAY

Cold, dry with sunny intervals.

London, S.E. England, Midlands, Cent. N. England, S.W. Scotland, N. Ireland.

Mainly dry. Bright intervals. Cold. Max. 4C (39F).

S.W. England. Mainly dry. Bright spells. Rain or snow later. Max. 7C (45F).

E. Coast, Wales, N.W. England, N.E. England, Edinburgh, Glasgow, Aberdeen, Newcastle.

Windy showers drying out. Bright spells later. Cold. Max. 4C (39F).

Weekend outlook: Mostly dry. Rain or snow in Wales and S. England. Cold.

WORLDWIDE

Algeria	C	21	70	London	C	9	48
Algiers	C	21	70	Luxemb.	R	8	43
Alexandria	C	21	70	Luxemb.	R	8	43
Athens	C	18	59	Madrid	C	12	54
Bahia	C	12	54	Moscow	C	14	57
Bombay	C	24	75	Moscow	C	14	57
Buenos Aires	C	4	39	Moscow	C	14	57
Calcutta	C	13	55	Moscow	C	14	57
Cairo	C	13	55	Moscow	C	14	57
Cardiff	C	13	55	Moscow	C	14	57
Chennai	C	13	55	Moscow	C	14	57
Colombo	C	13	55	Moscow	C	14	57
Copenhagen	C	13	55	Moscow	C	14	57
Dublin	C	13	55	Moscow	C	14	57
Edinburgh	C	13	55	Moscow	C	14	57
Frankfurt	C	13	55	Moscow	C	14	57
Glasgow	C	13	55	Moscow	C	14	57
Hamburg	C	13	55	Moscow	C	14	57
Helsinki	C	13	55	Moscow	C	14	57
Hong Kong	C	13	55	Moscow	C	14	57
Kobe	C	13	55	Moscow	C	14	57
London	C	9	48	Moscow	C	14	57
Lyons	C	13	55	Moscow	C	14	57
Manila	C	13	55	Moscow	C	14	57
Medan	C	13	55	Moscow	C	14	57
Memphis	C	13	55	Moscow	C	14	57
Mexico City	C	13	55	Moscow	C	14	57
Mumbai	C	13	55	Moscow	C	14	57
Nairobi	C	13	55	Moscow	C	14	57
Paris	C	13	55	Moscow	C	14	57
Peking	C	13	55	Moscow	C	14	57
Rangoon	C	13	55	Moscow	C	14	57
Reykjavik	C	13	55	Moscow	C	14	57
Rio de Janeiro	C	13	55	Moscow	C	14	57
Rome	C	13	55	Moscow	C	14	57
Sao Paulo	C	13	55	Moscow	C	14	57
Seoul	C	13	55	Moscow	C	14	57
Shanghai	C	13	55	Moscow	C	14	57
Singapore	C	13	55	Moscow	C	14	57
Sofia	C	13	55	Moscow	C	14	57
Stockholm	C	13	55	Moscow	C	14	57
Taipei	C	13	55	Moscow	C	14	57
Tel Aviv	C	13	55	Moscow	C	14	57
Tokyo	C	13	55	Moscow	C	14	57
Toronto	C	13	55	Moscow	C	14	57
Ulan Bator	C	13	55	Moscow	C	14	57
Yokohama	C	13	55	Moscow	C	14	57

C

Cloudy

F

Fair

S

Sunny

Fl

Fog

R

Rain

St

Steady

S

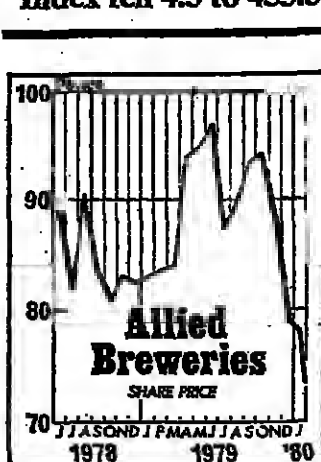
Snow

C-Cloudy, F-Fair, P-Fog, R-Rain, S-Sunny, SI-Sleet, SN-Snow.

THE LEX COLUMN

The next step for the clearers

Index fell 4.3 to 453.3



with an eye on potential trouble on the international lending front. It could also be a year for making absolutely sure that pension schemes are well topped up. The main anxieties, however, concern 1980, and in particular the potential impact of a set of bumper results on the clearers' costs base.

Last July the clearers conceded a 20 per cent pay settlement, and they are now facing a claim for a 25 per cent rise from April 1. Even in the more likely event of a settlement in the region of, say, 15 per cent being negotiated, pay will have gone up by almost 40 per cent within nine months.

It is the prospect that clearing bank profits will be crunched between rapidly rising costs and declining interest income, as money rates fall later in the year, that explains the modest rating of the shares in the market. They are typically on fully taxed 1979 p/e ratios of little more than 4 (on actual tax, only 3) and yields are likely to improve to between 6 per cent (Barclays) and 8 per cent (Midland).

One view is that clearing bank profits could fall back by 10 per cent or so this year. The size of any setback will largely depend on the extent to which base rates decline, though it should also be remembered that there are some built-in stabilisers: hire purchase subsidiaries are counter-cyclical in this respect, and there is scope for widening the gap between base rate and the retail deposit rate. Perhaps the most bullish view is taken by brokers Laing and Cruickshank who expect to see a big rise in charges and an improvement in international margins. On an average base rate of 13 per cent they suggest that pre-tax profits could in-

crease an eighth or so in 1980; but they project an average base rate of 9 per cent in 1981, and a slight profits setback, the approximate formula being that each point of base rate makes a difference of 5 per cent to the profits total.

Allied/Vaux

Vaux has been expanding its business rather faster than it has been generating cash, and even a fixed asset revaluation could not disguise a certain strain in the last balance sheet in the year to September net debt rose from £10.1m to £15.4m, and Vaux must have jumped at the chance of getting rid of its Scottish tied estate, which is making hardly any profit after interest and tax for £20.8m, just about its revalued book worth. The company is now half to pay off its overdraft and fund its growth in Yorkshire and Lancashire without having to worry about what had become an unsatisfactory operation in Scotland. The threat of a rights issue recedes, and the shares bound to rise yesterday by 14p to 150p.

The purchases as long as the Office of Fair Trading gives the deal a clear run, is Allied Breweries, which placed 29.6 shares in the market yesterday; Allied's share of the Scottish beer market will rise from 6 to 10 per cent, which should make it big enough to attack Scottish and Newcastle and Bass, which have three quarters of the